I. INTERPRETIVE CHRONOLOGY

A.) Before the Arab Oil Embargo, 1970-73

Background

As the decade of the 1970s opened, the U.S. was little concerned for its future energy supplies. Throughout the '60s, oil imports equaled about 20% of demand, and the overriding concern was the threat of a flood of cheap oil. Oil imports were restricted by a mandatory program, while prorationing in Texas and other states maintained spare production capacity and a higher U.S. price.

Natural gas prices remained regulated by the Federal Power Commission in the interstate market at levels far below the energy equivalent of domestic or imported oil prices. Yet the national pipeline network continued to grow and expand while gas distribution companies aggressively sought new customers.

The decline in coal's contribution to U.S. energy was accelerating in response to a new national concern with air quality, but nuclear power held the clear promise for the long-term future, and in the interim low-sulfur oil filled the gap for electric utilities.

The memory was still fresh that America could protect itself and aid its allies when oil supplies were disrupted, as during the June 1967 Arab-Israeli war. The real concern was how production from the 1968 discovery of oil on the Alaskan North Slope could be absorbed into the American market.

Then came 1970, a bad year for the U.S. petroleum industry. A slowdown in leasing resulting from public and media reaction to the Santa Barbara oil spill of January 1969 began to have its impact. Tax reform eliminated most percentage depletion tax allowances for oil. The first of many lengthy regulatory and court proceedings blocked construction of the Alaskan Pipeline. Construction of all sorts of energy facilities became bogged down in lengthy "environmental impact" statements and proceedings, which also compounded the now mushrooming licensing difficulties of the nuclear industry. Amendments to the Clean Air Act became law, setting the stage for added gasoline demand -- a result of the temporary and inefficient redesign imposed on automobile producers and a prelude to the longer-term switch to lead-free gasoline.

In 1971, the federal government imposed emergency price freezes and controls on the entire U.S. economy, effectively limiting the U.S. petroleum industry's ability to develop new supplies -- ironically just months after the first signal that OPEC had come of age. In February, the Teheran Agreement imposed posted price increases on Persian Gulf oils of up to 25%, bringing most to over $2 a barrel; in April, the Tripoli Agreement secured almost another dollar per barrel for Libya.

By the winter of 1972-73, a substantial gap emerged between controlled interstate natural gas prices and free-market intrastate gas, reinforcing the shift of supplies away from transcontinental pipelines and creating sporadic shortages in several areas of the U.S.

As 1973 unfolded, most producing nations were climbing aboard the bandwagon started by Libya's initial acquisition of ownership in its oil-producing concessions. By June, facing strongly increasing oil demands (U.S. oil imports increased by a fifth in 1972 and another third in 1973, raising the import percentage to 36% of supply), OPEC was able to impose yet another price increase, despite the fact that the Teheran Agreement was supposed to last five years. Meanwhile, U.S. price controls on domestic oil became more and more complex. In an attempt to yield to pressures for more domestic incentive, the concepts of "old" and "new" oil were created. And the U.S. replaced mandatory ceilings on the volume of imported oil with a fee on imports.

On the eve of the embargo, national energy policy was in total disarray and largely counterproductive. With few exceptions, the public, government, and the media did not have the basic understanding necessary to interpret what was happening and what would be happening.

Mobil response

By 1970, Mobil was well aware that the U.S. was heading for a severe energy crunch, but was unable to get this message across in the newspapers and on television. Lack of understanding of energy issues was made worse by the overall hostile attitude of the media to business in general and oil companies in particular.

The Op-Ed program was Mobil's prime response for dealing with emerging issues in a way that would assure control of the context

of the message. At about the same time as Op-Eds began (sporadically in 1970-71, weekly beginning in 1972), Mobil also made the decision to provide large-scale funding for quality programs on public television, starting with a $1 million contribution (at that time the largest from any company) and providing a new dimension of quality on the airwaves. These two efforts worked together: Op-Ed ads were sometimes used to promote television programs (see III-S), and the television programs created a climate of greater receptivity for the Op-Eds.

In addition, Mobil set about improving its public image by promoting selected philanthropies such as the United Negro College Fund and the Urban Coalition, and by supporting vocational education, jobs for veterans, and similar causes (see III-R). After these and other, primarily low-key themes in the early days, the Op-Ed voice grew stronger, sharper when necessary, but still stylish, in 1972. Op-Eds in the pre-embargo period were primarily concerned with these themes:

Mass transit: Our initial ad (Attachment 1), in the fall of 1970 was designed to draw attention to Mobil through advocacy of a cause which an oil company would not be expected to support. Mobil took the lead among oil companies in calling for a National Master Transportation Program. Such a program not only would provide for the highways the country needs, but it would also make possible adequate public transportation. This was an unusual view for an oil company but, as we pointed out when we announced our position in that first ad, "we don't believe the gasoline consumed by

a car idling in a traffic jam...is the best possible use of America's limited petroleum resources."

The energy situation: Ads (see III-I) dealt with the need for coherent U.S. energy planning, the loss of incentives for discovery of new natural gas due to unrealistic pricing and the dangers of over-use that resulted from these prices, the need to get Alaskan oil to U.S. markets, and the need for additional offshore drilling -- all clear responses to issues already impending, though scarcely perceived. These made 1972 a year of Op-Ed firsts: calling for a national energy policy, warning of a natural gas shortage, and linking economic and energy growth to solve social problems.

Growth: We addressed the need for continued economic growth, for which more energy would be needed, as the only way to provide higher living standards for poor people, both in the U.S. and around the world (see III-J). We believed this emphasis was extremely important in a decade when thought patterns were unduly influenced by the Club of Rome's Limits to Growth-type thinking.

Environment: As part of our effort to get greater U.S. energy growth, we took issue with the extremists of the environmental movement who insisted that cleaning up the environment was an absolute priority, without considering the need for energy/environment tradeoffs (see III-F).

Conservation: Knowing that the U.S. had a serious energy problem, we ran several ads urging greater conservation of energy, particularly gasoline (see III-G).

Capitalism: Our ads drew attention to the value of the free enterprise system in promoting economic growth. In a period of skepticism about business, we explained the role of profits in generating this growth (see III-K, L, M).

One Op-Ed that deserves special mention was "The U.S. Stake in Middle East Peace" which in June 1973 argued the need for a peaceful settlement of outstanding Middle East issues (see III-Q/Attachment 1). This resulted in a huge volume of anti-Mobil mail, demanding that we spell out what we thought was an "equitable" solution of the Middle Eastern situation. Sheik Yamani, however, was so impressed with the ad that he showed it to King Faisal, who asked Yamani to convey his personal thanks to the Mobil Board. The ad demonstrated Mobil's courage and, in this case, foresight, since war and the resulting embargo of Arab oil to the United States occurred soon afterward. Read today in the light of what has happened in the Middle East in the intervening years, the ad seems extraordinarily moderate and even-handed.

In all of these ads, we concentrated on reaching opinion leaders in government, the media, and elsewhere, as the key to changing public opinion as rapidly as possible.

During the pre-embargo period, our Government Relations people in Washington focused on a variety of issues, including natural gas pricing, import controls, environmental restrictions, and taxation. The company continued to argue against further concessions under the Import Controls program, particularly for small refiners which already enjoyed advantages over the majors. But the Administration was sympathetic to the oil industry, and oil industry representatives generally had plenty of opportunity to communicate with officials and members of Congress. Some issues were resolved without rancor.

This comparative calm was felt in Mobil's media relations programs, where a small press relations staff handled routine queries. One major issue at the time was Mobil's operations in South Africa, where we were criticized by church groups, but the company mounted a vigorous defense through exploratory meetings with church leaders and a special report to all stockholders on our operations in that country.

(I-A/Attachment 1)

America has the world's best highways And the world's worst mass transit.

We hope this ad moves people...

In recent years the United States has developed a really superb highway system. It's been built with tax revenues earmarked specifically for road building.

But the highway construction boom has been accompanied by a mass transit bust. Train and bus travel in this country, with few exceptions, is decrepit. The air traveler suffers increasing indignities despite bigger, faster planes.

Greater New York is a typical example. You can depend on commuting to and from Manhattan—but only to be undependable and slow. On public transport, the 25 miles to Westfield, N.J. takes 75 minutes at an average speed of 20 miles per hour. The 33 miles to Stamford, Conn. takes 60 minutes at 33 mph. The 26 miles to Hicksville, L.I. takes 55 minutes at 28 mph. When you're on time.

You have to be a stoic with stamina to use public ground transportation for a trip beyond the commuting range. Fly to a nearby city? You can hardly get at our congested air terminals, either by land or air. The ride to or from the airport often takes longer than the flight.

Mass transit seems to work better abroad. Americans are agreeably impressed by the fast, comfortable, and attractive subways in foreign cities. Intercity trains in other countries make ours look pitiful. Japan's high-speed Tokaido line carries more than 200,000 passengers a day. Clean, comfortable French, German, Italian, and British trains regularly attain speeds over 100 mph. European railroads are already planning or building expresses that will do better than 150 mph.

Yet, in the United States, new mass transit systems are for the most part still in the wild blue yonder.

Providing for our future transportation needs will require very large expenditures. We believe there's an urgent need for legislators to reexamine the procedures used to generate and expend transportation revenues. Such a review may yield the conclusion that special earmarked funds are no longer the best approach.

In weighing priorities, no decision-maker can ignore the increasing congestion on those fine highways of ours, especially in and around the great urban centers. But more and better mass transit could stop traffic jams before they start. Just one rail line has triple the people-moving capacity of a three-lane superhighway.

It costs less—in energy consumption and in money—to move people via mass transit than on highways. Thus mass transit means less air pollution.

It also means conservation. Whether the energy comes from gasoline for cars, or fuel oil, natural gas, or coal for electric power plants, it's derived from a diminishing natural resource. So we think *all* forms of transportation should be brought into a national plan for safe, rapid, economical ways of moving people—consistent with the wisest use of our energy resources.

While Mobil sells fuels and lubricants, we don't believe the gasoline consumed by a car idling in a traffic jam (carrying a single passenger, probably) is the best possible use of America's limited petroleum resources. Our products ought to help more people get where they want to go.

To us, that means a green light for mass transit . . . soon.

Mobil®

This ad appeared in the New York Times on October 19, 1970

© Mobil Oil Corporation

B.) The Embargo, 1973-74

On October 8, 1973, war broke out between Israel and several of its Arab neighbors, and the U.S. rushed additional military aid to Israel. Arab oil-producing nations retaliated by placing an embargo on shipments to the U.S. and several other nations, and OPEC unilaterally raised posted prices nearly 70% (to over $5 a barrel). The exporters, sensing the companies' ability to rearrange supplies, quickly shifted to curtailing production, so that nearly 10% of the free world's oil supplies were removed from international trade during the winter of 1973-74. By year-end, posted prices were increased again, to more than $9 per barrel. By March 1974, the embargo was lifted and production restored. But the era of ample low-cost energy had ended, and a permanent change in how nations manage energy supply and consumption had been wrought. The effects would continue to be felt for a long time, and throughout the economic systems of the western world. Actions taken in the U.S. in the heat of the moment persisted for years. Permanent damage was done to the credibility of the energy industries because of the lack of understanding of the issues by the media and government staffs.

Specific actions started with the Administration's hastily contrived "Project Independence," an attempt to totally end imports by 1980. It was proposed in November 1973, the month when the Emergency Petroleum Allocation Act was signed into law -- a law that plagued the industry with price and allocation controls at all levels until its expiration (and amendments to it) in

September 1981. Government attempts to reduce consumption by cutting speed limits, eliminating Sunday sales of gasoline, allocating shipments, and pressuring major oil companies into husbanding inventories exacerbated the hysteria and the shortage, even though (in retrospect) petroleum supplies would have been adequate for demand for that length of curtailment.

Mobil response

In this situation, Mobil ads

-- Continued to stress the need for improved U.S. energy production and for additional conservation (see III-G and I).
-- Increased the emphasis on the need for profits, at a time when the industry was accused of making "obscene profits" during the embargo, and spoke out against accusations that Mobil was cheating its customers (see III-M, N).
-- Explained some reasons for the shortages (e.g. that motorists were carrying much more gasoline around in their tanks, thus contributing to the difficulty of getting more).

One useful new ad format was successfully used for the first time. This was "Musings of an oil person," which enabled us to address a number of topics in one ad, in a chatty readable style (Attachment 1).

During the immediate embargo period, however, Mobil Public Affairs was essentially on the defensive, as members of Congress and the press accused the oil companies of rigging the shortage, and Senator Henry Jackson castigated the heads of the seven largest oil companies who appeared before his Permanent Subcommittee on

Investigations and insulted them on national television, while labeling oil industry profits "obscene".

Our response was to accelerate reorganization of the Public Affairs effort. This included appointing a Vice Chairman for Public Affairs, and a policy coordinator whose responsibility it was to see that the company spoke with a single voice on all issues. The company also further geared up for an expanded Media Relations effort, with visits by top executives to newspapers in key cities, coordinated with the American Petroleum Institute media program. Efforts were made to get company executives on television programs across the country, combating the negative image of the oil companies portrayed by that medium.

On the cultural front, the highlight of this period was Mobil's introduction in January 1974 of the Bellamy family to the American public on Upstairs, Downstairs, perhaps the best remembered of all Mobil's television productions. The show was eventually to add seven Emmy awards to those "Masterpiece Theatre" had already reaped (see III-S).

(I-B/Attachment 1)

© 1974 Mobil Oil Corporation.

Musings of an oil person...

Wonder if oil company advertising isn't risking indecent overexposure these days. There's so much oil on the tube and in print. Gulf, Shell and Texaco all ran full-pagers on the same day last week in the Times. Mobil's on the Op-Ed page every Thursday. Why do we all do it? Some critics think the ads show the companies are conspiring to brainwash the public. Others think the advertising deluge proves we can't do anything right, not even conspire. But an oil company has to find some way of speaking its mind and letting the public know what's going on, especially now when oil companies are accused of being secretive. Have to take risk of moving Tom Wicker to nausea over the "...pious, self-serving, devious, mealy-mouthed, self-exculpating, holier-than-thou, positively sickening oil company advertisements in which these international behemoths depict themselves as poverty-stricken paragons of virtue embattled against a greedy and ignorant world." Tom turns a nice phrase, but doesn't he know we're frustrated in trying to get information to the public? Try to buy time on TV to say something substantive and the networks clobber you with the fairness doctrine. Same with radio. Several congressmen want the FTC to require a company to substantiate its idea advertising, just as if an idea were like a new toothpaste. Why don't they exhume Madison and make him substantiate the Bill of Rights? Sure, we can stick to print media to tell our story. But newspapers and magazines frequently don't understand the complexities of our industry. Only a few have oil specialists. And how many deadly news releases can we send them before they scream for mercy? Much better to use TV to try to reach the millions whose opinions about oil are swayed by what Cronkite, Chancellor and Reasoner say every evening. Briefly! In 30 seconds they can suggest enough wrongdoing that a year of full-page explanations by us won't set straight. Hate to be on the defensive all the time. Arm our top management people with facts and get them on TV panels and talk shows. They still look drab next to a politician making some wild allegation against us because he's running for something. Does he have to run on our backs? Sure he does--as long as there are gas lines. What do we tell the guy who's boiling mad at us--in our station or some other company's--after waiting two hours for the privilege of paying $1.10 for two gallons of gas? Are we going to tell him he's been wasting energy for years? No way. Tell him to lay off those jackrabbit starts? He'll find that out for himself. That Detroit's naughty for building big cars, that we shouldn't have built all those superhighways, that we're sorry we gave away all that glassware? Forget it. Should we remind him we've been warning for years that the energy crisis was coming? He'll mow down the pumps and who would blame him. No, have to focus on the positive things we can do. Tell him we're recycling the money he pays at the pump right back into oil-finding offshore, Alaska, anywhere. Into more refinery capacity. Into oil shale, synthetic fuels from coal, tar sands, far-out processes in the lab. Dammit, we're a can-do company in a can-do country. Give us a few years and we'll make gas lines just a quaint recollection of the mid-70s. In the meantime, try to reason with Washington against counter-productive laws and regulations. Fight the two-times-two-equals-five logicians who think the same outfit that brings you the U.S. Mail can find oil three miles under the ocean bottom. Give people the facts. Give them genuine information. Speak out. Persuade them to listen. Never bore them. If at first we don't succeed, bust a gut trying again. No other way. Or we all end up working for the government.

Mobil®

This ad appeared in the New York Times on February 28, 1974.

I. INTERPRETIVE CHRONOLOGY

A.) Before the Arab Oil Embargo, 1970-73

Background

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The memory was still fresh that America could protect itself and aid its allies when oil supplies were disrupted, as during the June 1967 Arab-Israeli war. The real concern was how production from the 1968 discovery of oil on the Alaskan North Slope could be absorbed into the American market.

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In 1971, the federal government imposed emergency price freezes and controls on the entire U.S. economy, effectively limiting the U.S. petroleum industry's ability to develop new supplies -- ironically just months after the first signal that OPEC had come of age. In February, the Teheran Agreement imposed posted price increases on Persian Gulf oils of up to 25%, bringing most to over $2 a barrel; in April, the Tripoli Agreement secured almost another dollar per barrel for Libya.

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Mobil response

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The Op-Ed program was Mobil's prime response for dealing with emerging issues in a way that would assure control of the context

of the message. At about the same time as Op-Eds began (sporadically in 1970-71, weekly beginning in 1972), Mobil also made the decision to provide large-scale funding for quality programs on public television, starting with a $1 million contribution (at that time the largest from any company) and providing a new dimension of quality on the airwaves. These two efforts worked together: Op-Ed ads were sometimes used to promote television programs (see III-S), and the television programs created a climate of greater receptivity for the Op-Eds.

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Mass transit: Our initial ad (Attachment 1), in the fall of 1970 was designed to draw attention to Mobil through advocacy of a cause which an oil company would not be expected to support. Mobil took the lead among oil companies in calling for a National Master Transportation Program. Such a program not only would provide for the highways the country needs, but it would also make possible adequate public transportation. This was an unusual view for an oil company but, as we pointed out when we announced our position in that first ad, "we don't believe the gasoline consumed by

a car idling in a traffic jam...is the best possible use of America's limited petroleum resources."

The energy situation: Ads (see III-I) dealt with the need for coherent U.S. energy planning, the loss of incentives for discovery of new natural gas due to unrealistic pricing and the dangers of over-use that resulted from these prices, the need to get Alaskan oil to U.S. markets, and the need for additional offshore drilling -- all clear responses to issues already impending, though scarcely perceived. These made 1972 a year of Op-Ed firsts: calling for a national energy policy, warning of a natural gas shortage, and linking economic and energy growth to solve social problems.

Growth: We addressed the need for continued economic growth, for which more energy would be needed, as the only way to provide higher living standards for poor people, both in the U.S. and around the world (see III-J). We believed this emphasis was extremely important in a decade when thought patterns were unduly influenced by the Club of Rome's Limits to Growth-type thinking.

Environment: As part of our effort to get greater U.S. energy growth, we took issue with the extremists of the environmental movement who insisted that cleaning up the environment was an absolute priority, without considering the need for energy/environment tradeoffs (see III-F).

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Capitalism: Our ads drew attention to the value of the free enterprise system in promoting economic growth. In a period of skepticism about business, we explained the role of profits in generating this growth (see III-K, L, M).

One Op-Ed that deserves special mention was "The U.S. Stake in Middle East Peace" which in June 1973 argued the need for a peaceful settlement of outstanding Middle East issues (see III-Q/Attachment 1). This resulted in a huge volume of anti-Mobil mail, demanding that we spell out what we thought was an "equitable" solution of the Middle Eastern situation. Sheik Yamani, however, was so impressed with the ad that he showed it to King Faisal, who asked Yamani to convey his personal thanks to the Mobil Board. The ad demonstrated Mobil's courage and, in this case, foresight, since war and the resulting embargo of Arab oil to the United States occurred soon afterward. Read today in the light of what has happened in the Middle East in the intervening years, the ad seems extraordinarily moderate and even-handed.

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(I-A/Attachment 1)

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Mobil®

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B.) The Embargo, 1973-74

On October 8, 1973, war broke out between Israel and several of its Arab neighbors, and the U.S. rushed additional military aid to Israel. Arab oil-producing nations retaliated by placing an embargo on shipments to the U.S. and several other nations, and OPEC unilaterally raised posted prices nearly 70% (to over $5 a barrel). The exporters, sensing the companies' ability to rearrange supplies, quickly shifted to curtailing production, so that nearly 10% of the free world's oil supplies were removed from international trade during the winter of 1973-74. By year-end, posted prices were increased again, to more than $9 per barrel. By March 1974, the embargo was lifted and production restored. But the era of ample low-cost energy had ended, and a permanent change in how nations manage energy supply and consumption had been wrought. The effects would continue to be felt for a long time, and throughout the economic systems of the western world. Actions taken in the U.S. in the heat of the moment persisted for years. Permanent damage was done to the credibility of the energy industries because of the lack of understanding of the issues by the media and government staffs.

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© 1974 Mobil Oil Corporation.

Musings of an oil person...

Wonder if oil company advertising isn't risking indecent overexposure these days. There's so much oil on the tube and in print. Gulf, Shell and Texaco all ran full-pagers on the same day last week in the Times. Mobil's on the Op-Ed page every Thursday. Why do we all do it? Some critics think the ads show the companies are conspiring to brainwash the public. Others think the advertising deluge proves we can't do anything right, not even conspire. But an oil company has to find some way of speaking its mind and letting the public know what's going on, especially now when oil companies are accused of being secretive. Have to take risk of moving Tom Wicker to nausea over the "...pious, self-serving, devious, mealy-mouthed, self-exculpating, holier-than-thou, positively sickening oil company advertisements in which these international behemoths depict themselves as poverty-stricken paragons of virtue embattled against a greedy and ignorant world." Tom turns a nice phrase, but doesn't he know we're frustrated in trying to get information to the public? Try to buy time on TV to say something substantive and the networks clobber you with the fairness doctrine. Same with radio. Several congressmen want the FTC to require a company to substantiate its idea advertising, just as if an idea were like a new toothpaste. Why don't they exhume Madison and make him substantiate the Bill of Rights? Sure, we can stick to print media to tell our story. But newspapers and magazines frequently don't understand the complexities of our industry. Only a few have oil specialists. And how many deadly news releases can we send them before they scream for mercy? Much better to use TV to try to reach the millions whose opinions about oil are swayed by what Cronkite, Chancellor and Reasoner say every evening. Briefly! In 30 seconds they can suggest enough wrongdoing that a year of full-page explanations by us won't set straight. Hate to be on the defensive all the time. Arm our top management people with facts and get them on TV panels and talk shows. They still look drab next to a politician making some wild allegation against us because he's running for something. Does he have to run on our backs? Sure he does--as long as there are gas lines. What do we tell the guy who's boiling mad at us--in our station or some other company's--after waiting two hours for the privilege of paying $1.10 for two gallons of gas? Are we going to tell him he's been wasting energy for years? No way. Tell him to lay off those jackrabbit starts? He'll find that out for himself. That Detroit's naughty for building big cars, that we shouldn't have built all those superhighways, that we're sorry we gave away all that glassware? Forget it. Should we remind him we've been warning for years that the energy crisis was coming? He'll mow down the pumps and who would blame him. No, have to focus on the positive things we can do. Tell him we're recycling the money he pays at the pump right back into oil-finding offshore, Alaska, anywhere. Into more refinery capacity. Into oil shale, synthetic fuels from coal, tar sands, far-out processes in the lab. Dammit, we're a can-do company in a can-do country. Give us a few years and we'll make gas lines just a quaint recollection of the mid-70s. In the meantime, try to reason with Washington against counter-productive laws and regulations. Fight the two-times-two-equals-five logicians who think the same outfit that brings you the U.S. Mail can find oil three miles under the ocean bottom. Give people the facts. Give them genuine information. Speak out. Persuade them to listen. Never bore them. If at first we don't succeed, bust a gut trying again. No other way. Or we all end up working for the government.

Mobil®

This ad appeared in the New York Times on February 28, 1974.

Evolution of Mobil's Public Affairs Programs 1970-81

Evolution of Mobil's Public Affairs Programs, 1970-81

INTRODUCTION

Mobil's Public Affairs programs have evolved around three basic premises as outlined by Rawleigh Warner, Jr., in 1970:

(1) build our reputation as an outspoken responsible company concerned about our energy future and major social issues;

(2) initiate debate on major public issues that concern us;

(3) broaden the spectrum of information and viewpoints available to the American people, to help them reach the conclusions necessary for sound public policy in a democratic society.

(Excerpts from statements by Mr. Warner more fully setting forth his original Public Affairs concept for Mobil, and outlining some major activities, follow immediately after this introductory section.)

Taken together with support for public television and other cultural institutions, these underlying themes of social responsibility and determined advocacy have given Mobil a unique position in America's social consciousness. The purpose of this volume is to provide an overview of how Mobil's Public Affairs programs have evolved -- becoming a part of American culture itself as well as part of the American dialogue on major public issues involving our company.

In this volume's review of more than a decade of Mobil's Public Affairs programs, we will survey the major directions, activities, and objectives. Some of these may be familiar to you, particularly the more prominent national programs. But some may be fresh and

noteworthy, especially if you have not had the opportunity to directly experience all the years of all these programs, for we have included representative samples of some local or specialized areas.

Since we will be dealing with some long out-of-date events from a dozen years that involved major dislocations in supply, hostile Federal Administrations, and a climate in which politicians inflamed public doubts about our industry and company, we begin by recapitulating with a chronology since 1970. We break the entire period into five time frames -- before, during and after the 1973-74 oil embargo, the Iranian crisis, and since. Individual chronology sections may include materials documenting some points of the time periods, but most supporting material is elsewhere in the volume, and is cross-referenced. Together, the sections review what happened in the world and nation, and what Mobil Public Affairs attempted and accomplished in response to these events, or frequently in anticipation of them.

The second part of this volume organizes our activities by the publics we address -- opinion leaders (the media, federal and state officials, and others), the general public, the investment community, our own employees, and foreign governments. Here we consider not the year-by-year programs, but the overall impact they have had -- and this is substantial. Where possible we include polls, surveys, and other systematic assessments of our effectiveness -- for example, the survey showing that "Observations" readers have been influenced toward Mobil's opinions on several important energy issues where non-readers have continued to hold views less favorable to us. Of necessity, other materials are

descriptive -- a study, for instance, correlating the substantial change in The New York Times editorials over the years toward the very positions we have argued (though, of course, we can't prove a direct relationship since so many other factors affect an editorial writer). Some materials are narrative, such as a case study of how Mobil's Government Relations and Public Relations led the industry fight against divestiture proposals in the mid-1970s -- a signal success. Still other materials are examples -- for example, what the media actually said about Mobil, or what views are held by other opinion leaders. And some materials are simply anecdotal, yet illustrative -- to mention one example not cited elsewhere, the Mobil executive who had three separate seat companions on a recent trip to Indonesia; all three volunteered complimentary remarks about our Op-Ed ads, and wondered why other oil companies weren't doing the same. In the wide variety of materials, you will find even cartoons, presented as illustrative of the thesis that "Mobil" has become synonymous with "corporate good works".

The third and final portion of this volume describes and presents some of the main themes we have argued over the years.

Throughout, of course, you'll find some of the high points -- for example, in 1975, Advertising Age, the "bible" of the ad industry, named Mr. Warner as "Adman of the Year." Said Ad Age:

> "Mr. Warner was selected as representative of a company whose shoot-from-the-hip, gutsy 'idea' advertising has added a new dimension to corporate advertising during a period of unprecedented attacks by government, the media and consumer advocates

not only on the oil industry, but on American business in general."

In fairness, we also have included some of our less-successful campaigns. Example: The 1978 series of ads like Op-Eds intended for various labor publications; these were designed to strike a common theme for labor and business in promoting policies toward economic growth. The series might have worked with the readers, but some of the publications' editors rejected the idea of filling their labor-union pages with so prominent a management voice as Mobil's.

For all of the voluminous content of this briefing book, we have touched only the outlines and a tiny portion of the relevant details of all that we have attempted and done. To limit the bulk, we have eliminated duplication of explanation and example wherever possible, relying instead on cross-references where necessary; still, there simply isn't room for a thorough-going condensation of the 220 file drawers of material from 12 years of our Public Affairs programs through 1981. This volume merely sets the stage, and even that limited attempt might not succeed since so much has been excluded.

But what emerges nonetheless is a picture of some of the facets of Mobil's corporate personality:

-- Reasoning, intellectual, sensible, and attractive to many intelligent people.

-- Demonstrating a well-defined economic philosophy, and a thoroughly expert awareness of our business and of the world's energy realities.

-- Showing social concern and sensitivity to environmental issues.

-- Concerned with culture and other institutions of our broad society.

-- Not just blindly trying to make a profit at any and all cost -- damn the consequences -- but certainly not operating to be loved.

-- Willing and able to defend ourselves against misunderstandings or attacks, whether from malevolence or simple ignorance.

-- And successful in presenting our belief in abundant energy and economic growth as the way to solve social problems.

The nation may not always agree, but it definitely does respect our opinions. In summary then:

-- Mobil's image has greatly improved since the Sixties among the general public and with key target groups, including journalists and government officials.

-- Mobil is now recognized as an outspoken, responsible company with a high level of visibility and, very importantly, high credibility.

-- Mobil has succeeded in reaching and influencing opinion leaders.

-- Mobil has sparked public debate on many issues important to us.

-- And Mobil has provided the public with an alternative source of information on major national issues.

# # #

Excerpts from remarks by
RAWLEIGH WARNER, JR.
Chairman,
Mobil Oil Corporation

(1)
before
ECONOMIC CLUB OF DETROIT
Detroit, Michigan
March 5, 1973

(2)
42nd Annual Convention
of the
EDISON ELECTRIC INSTITUTE
New York, N.Y.
June 3, 1974

(3)
Upon receiving the
Alumni Association Award
Graduate School of Business
COLUMBIA UNIVERSITY
New York, N.Y.
April 26, 1978

(1)

As you hardly need reminding, American industry and indeed all of our institutions including especially government have grown larger and more complex in recent years. News sources have become more prolific, communications have become instantaneous, and issues have become more public. One result of all this is to make it increasingly difficult for the average citizen to understand issues of public policy in any great depth. This seems to be particularly true when technology or economics is involved, and even truer when both are involved.

If we in business are to retain our franchises, we had better recognize that this situation places a special obligation on us to share our particular knowledge with the public so that it may understand these complex issues.

The issues swirling around the oil industry today with respect to adequacy, security, and cost of supply seem to be of just such a nature. They are caused largely by the fact that this country is passing from a watershed characterized by ample, cheap, and seemingly endless energy supplies to one characterized by expensive and limited supply and actual shortages. The transition has been accelerated by the growth in demand, which has often been quite sharp and, of course, on a larger base each year.

As we move from the old era to the new, our conduct both within our boundaries and among our worldwide trading partners must change to reflect the changing conditions. It is difficult enough for the average person to see and comprehend the changes taking place. It is especially difficult to see and understand these forces at a time when emotional issues mask the greater issues forcing the change....

[As to what Mobil Oil is doing to explain complex subjects and help people make the decisions that will best serve the country as a whole...] we are carrying to the American people issues of public policy relating to our business of supplying energy. I am under no delusion that Mobil is the only company, or even the only oil company, engaging in such a dialogue. Nor do I maintain that we are necessarily doing a better job of it than anyone else. Mobil's program started because about two years ago some of us in the company decided we had views on some topical subjects that we should communicate to the public.

How do we go about it?

We make speeches, which we sometimes print and distribute. We try to engage politicians, reporters, editors, and publishers in dialogues, and we meet with people in television and radio. We distribute a number of television film clips each year, running about a minute to a minute and a half each, to 100 TV stations across the country, and we reach several hundred radio stations every month with recorded interviews of about three minutes each. We also use spot advertisements on radio.

One of the most effective ways we have found, however -- at least in New York and, I suspect, elsewhere as well -- is to buy advertising space. We have found it totally ineffective to rely on letters to the editor to rebut even the most misinformed reporting. No letter can compete in timeliness or impact with an adverse headline, no matter the retraction later made. Even news releases are of limited effectiveness.

Specifically, we publish a quarter-page advertisement every Thursday, year-round, on the page opposite the editorial page of The New York Times -- called, as you might surmise, the op-ed page. The space the Times has made available to advertisers in that part of the paper is the only advertisement appearing on those two facing pages. Thus it has high visibility. The space is large enough for essay-type ads and is an integral part of an editorial section that is "must" reading for opinion leaders, policy-makers, educators, journalists, legislators, business executives, and intellectuals. Our messages there are often more in the nature of paid editorials than advertisements....

We have taken the offensive -- but tried not to be offensive in doing it -- on such subjects as the energy crisis, the need to conserve energy and ways to do it, the role of profits, the need for public transportation, capital formation, the need for national energy policies, business as a catalyst of change, and...the costs

of controlling automotive emissions. We are relying on facts and persuasive presentation to give people a true picture of some of the options open to them and the order of magnitude of the costs involved. Some of these ads, too, have been published in other papers as well.

I am glad to say the response has been strong and generally favorable, though we do get denounced for some of them in letters to the editor -- which at least shows people are reading them. We have distributed thousands of reprints, and will be glad to give copies to any of you who request them.

I would be considerably less than honest if I did not say that we have our differences of opinion with the editorial policies of The New York Times. At the same time, however, that paper has made a forum available in the form of paid space in which we can express our opinions. And the Times' readership encompasses some important publics.

I would urge that you and businessmen across the country try to persuade your local newspapers to make similar space available -- and, whenever they do, that you utilize that space to try to give the American people the sort of information they need if they are to make intelligent choices in the realm of public policy. In my view, we in business must reach the opinion leaders in our communities before we can hope to have appreciable impact on the general public....

You will not, of course, achieve believability overnight or automatically. I myself like to think that Mobil began to change -- and to improve -- the public's impression of it seven or eight years ago, when we changed our logotype and spent a great deal of money to devise what we believe is a more attractive service station, and, among other things, conducted a nationwide advertising campaign on safety with the theme "We Want You to Live." I suppose I could catalog other activities, such as our support for public broadcasting. The point I am making is that in the last analysis a company will be judged by its actions, the persuasiveness of its ads and other communications, its willingness to listen to both sides of questions, and the extent to which it involves itself in the mainstream of life.

In Mobil's case, the response we have been getting leads us to conclude that that segment of the public which exerts impact on decision-making is increasingly reading what we have to say and judging us both on our logic and on our record, with generally favorable results....

One reason we think our advertisements, along with those of other oil companies, may be having some effect is that several Congressmen and Senators have recently tried to inhibit us. We believe

The Wall Street Journal was close to the target when it said, "Indeed, the reason their critics are rushing to have them gagged is that the oil companies have been making legitimate arguments worthy of being heard."

...That brings me to the biggest roadblock we have encountered -- the refusal of national television networks to sell us time in which to state our viewpoints on matters of great public import.

When the energy crisis hit full-blown last October, there were very few reporters in any media anywhere in the country, outside of oil-producing areas and the oil trade press, who knew much about oil. This was particularly true of commercial television, and seems still to be true. As a result, we have a very difficult communications problem, and we recognize that. The energy crisis is complex, both in its origins and in its manifestations. The TV networks, by their very nature, seldom seem able to do justice to such a complex issue.... While we are not accusing the networks of bias in their reporting, we nevertheless feel that their structural deficiences [limited air time, costs that restrict TV news' responsiveness, the "star" system as part of the quest for ratings, lack of specialist reporters for business or energy, and the nature of television as visual entertainment] have combined to make much of their coverage of oil news inaccurate and misleading.... [So] Mobil has sought to buy air time for commercials that would convey our point of view -- commercials that would deal in ideas rather than in products. But networks have refused to sell us time for many of the commercials we have submitted. Their position was pretty well summed up in a letter of February 27, 1973, from the law department of the Columbia Broadcasting System to a vice president of Mobil, from which I quote: "...it is the general policy of CBS to sell time only for the promotion of goods and services, not for the presentation of points of view on controversial issues of public importance. CBS has adopted this policy because it believes that the public will best be served if important public issues are presented in formats determined by broadcast journalists...."

I have these comments to make on that.

First, this country was founded in controversy -- hard, openly expressed controversy -- and it has remained free and democratic through the continuing clash of opinion and of value patterns.

Second, if the networks dedicate themselves almost exclusively to merchandising products, via the entertainment route, they may raise serious questions as to whether what they merchandise as news is actually just entertainment.

Third, today's energy crisis is controversial largely because the media have helped make it controversial by printing and broadcasting material so inaccurate that anyone with any knowledge of our industry would have to disagree with it.

When as powerful and pervasive a medium as television will not sell time for controversial issues, it seems to me our country has reached a rather critical juncture. How can a democracy operate effectively without broad public access to clashing points of view?

It is worth recalling what the U.S. Supreme Court said in 1969, in what is known as the Red Lion case: "It is the right of viewers and listeners, not the right of the broadcasters, which is paramount. It is the purpose of the First Amendment to preserve an uninhibited marketplace of ideas in which truth will ultimately prevail, rather than to countenance the monopolization of that market, whether it be by the Government itself or by a private licensee. It is the right of the public to receive suitable access to social, political, esthetic, moral, and other ideas and experiences which is crucial here."

The real issue seems to be whether the commercial networks should have total control over what is broadcast to the American people. Since network broadcasting is among the most concentrated of U.S. profit-making industries, it would appear that our country may be facing a danger of monopoly censorship.

I hope you realize how reluctant we in Mobil are to adopt any posture that would appear to place us in an adversary position. We would much rather just live and let live. But we have concluded that we have no alternative to standing up for what we believe to be right. It is a dreadful set of circumstances at which we have arrived. What we're battling for is something at least approaching fair treatment in a medium that seems to be the main source of news for the vast majority of the public, yet one that seemingly has decided that in order to be successful, it must concentrate more heavily on showmanship than on presenting news in any depth....

I hope nothing I have said here will be construed as ignorance or insensitivity on my part toward the contributions a free press has made throughout our country's history. Quite the contrary. We could not have remained a free people without it. Freedom of the press is clearly an essential ingredient of a democratic society -- essential not only to the press itself, but to all of us. I submit, however, that it is inseparably linked to freedom of speech, and that both are in turn linked to a free economy.

Unlike some politicians, I am urging not less but more free speech, and for everyone -- including most importantly those whose views some of us may find totally abhorrent. I would hope that those who write and speak the most about freedom of the press will come to comprehend that if they help to destroy our free economy, no matter how unwittingly, it could be only a matter of time before they lost their own freedom. I do not know which of our freedoms might be the first to go, but I do know that once we lose any one of them -- whether free speech, free press, or our free economy -- the others are apt soon to follow.

(3)

Corporations, like people, tend to develop their own individualities over the years. Mobil has long felt that it should contribute to appropriate causes and should endeavor to be a good citizen, in every sense of the word, in the communities in which it operates....

...Our company has felt it right and proper to support more aggressively what are loosely called cultural activities.... It seems to me that as any society grows more mature -- and ours is more than 200 years old -- the populace becomes increasingly interested in cultural activities, both as direct participants and as spectators. Thus what we in Mobil have done in this respect in recent years has constituted a recognition of this growing interest on the part of the public.

While we lend support to art and to artists, as well as to museums and other entities, the cultural activity with which we seem to be most closely identified among the populace is our support of public broadcasting -- most particularly, Masterpiece Theatre. Certainly this has brought us more mail from all across the nation, and more laudatory mail, than anything else in which we are engaged.

In this connection, I might mention that Mobil has from the outset of this effort been committed to building and strengthening public television. As I think the record will show, we have sought not only to underwrite programs of the first order of quality, such as Upstairs, Downstairs, but also to utilize our own corporate resources and skills to build a wider audience for public broadcasting. The promotion we put behind such series supports public television as an institution and, we think, increases contributions to that medium from other sources, including individuals....

In sketching what we do to strengthen both education and cultural activities, I would not want to give the impression that it represents unalloyed altruism. Rather, and I do not want to make too fine a point of this, it reflects our recognition of the fact that as a private business we enjoy no divine right of existence. We exist within a society, and our very right to exist stems from our value and utility to that society. To the extent that we are able to enrich our society and to preserve and enhance the best of its values, we help create a better environment in which to do business.

We believe people today want to know more about a company than just the quality of its goods and services. Mobil interfaces with people in a large number of ways -- as a prospective and actual employer, as a purchaser of many goods and services, as a supplier, as an investment, as a force in American society -- and we are convinced that people want to know something of the beliefs and value patterns of the individuals who run large businesses. We in Mobil have striven to present our own beliefs and value patterns not only in what we do with respect to such spheres as education and cultural activities, but also in what we say in paid advertisements that are sometimes called advocacy advertising....

As anyone knows who has followed our advocacy advertising and our other external communications, we enjoy being an active participant in many arenas, and these two -- education and cultural activities -- are important to us and in many ways are as rewarding as any in which we have involved ourselves.

I might add, with further reference to our advocacy advertising, that we believe our outspoken support of the American system of democratic capitalism is all of a piece with our support of higher education and cultural programs. I am convinced that if our economic system is destroyed or fatally weakened by the relatively small but highly articulate elitists who seem bent on doing just that, whether from ignorance or for whatever reason, then our democratic society and our cultural institutions -- including higher education -- will be imperiled.

# # #

I. INTERPRETIVE CHRONOLOGY

A.) Before the Arab Oil Embargo, 1970-73

Background

As the decade of the 1970s opened, the U.S. was little concerned for its future energy supplies. Throughout the '60s, oil imports equaled about 20% of demand, and the overriding concern was the threat of a flood of cheap oil. Oil imports were restricted by a mandatory program, while prorationing in Texas and other states maintained spare production capacity and a higher U.S. price.

Natural gas prices remained regulated by the Federal Power Commission in the interstate market at levels far below the energy equivalent of domestic or imported oil prices. Yet the national pipeline network continued to grow and expand while gas distribution companies aggressively sought new customers.

The decline in coal's contribution to U.S. energy was accelerating in response to a new national concern with air quality, but nuclear power held the clear promise for the long-term future, and in the interim low-sulfur oil filled the gap for electric utilities.

The memory was still fresh that America could protect itself and aid its allies when oil supplies were disrupted, as during the June 1967 Arab-Israeli war. The real concern was how production from the 1968 discovery of oil on the Alaskan North Slope could be absorbed into the American market.

Then came 1970, a bad year for the U.S. petroleum industry. A slowdown in leasing resulting from public and media reaction to the Santa Barbara oil spill of January 1969 began to have its impact. Tax reform eliminated most percentage depletion tax allowances for oil. The first of many lengthy regulatory and court proceedings blocked construction of the Alaskan Pipeline. Construction of all sorts of energy facilities became bogged down in lengthy "environmental impact" statements and proceedings, which also compounded the now mushrooming licensing difficulties of the nuclear industry. Amendments to the Clean Air Act became law, setting the stage for added gasoline demand -- a result of the temporary and inefficient redesign imposed on automobile producers and a prelude to the longer-term switch to lead-free gasoline.

In 1971, the federal government imposed emergency price freezes and controls on the entire U.S. economy, effectively limiting the U.S. petroleum industry's ability to develop new supplies -- ironically just months after the first signal that OPEC had come of age. In February, the Teheran Agreement imposed posted price increases on Persian Gulf oils of up to 25%, bringing most to over $2 a barrel; in April, the Tripoli Agreement secured almost another dollar per barrel for Libya.

By the winter of 1972-73, a substantial gap emerged between controlled interstate natural gas prices and free-market intrastate gas, reinforcing the shift of supplies away from transcontinental pipelines and creating sporadic shortages in several areas of the U.S.

As 1973 unfolded, most producing nations were climbing aboard the bandwagon started by Libya's initial acquisition of ownership in its oil-producing concessions. By June, facing strongly increasing oil demands (U.S. oil imports increased by a fifth in 1972 and another third in 1973, raising the import percentage to 36% of supply), OPEC was able to impose yet another price increase, despite the fact that the Teheran Agreement was supposed to last five years. Meanwhile, U.S. price controls on domestic oil became more and more complex. In an attempt to yield to pressures for more domestic incentive, the concepts of "old" and "new" oil were created. And the U.S. replaced mandatory ceilings on the volume of imported oil with a fee on imports.

On the eve of the embargo, national energy policy was in total disarray and largely counterproductive. With few exceptions, the public, government, and the media did not have the basic understanding necessary to interpret what was happening and what would be happening.

Mobil response

By 1970, Mobil was well aware that the U.S. was heading for a severe energy crunch, but was unable to get this message across in the newspapers and on television. Lack of understanding of energy issues was made worse by the overall hostile attitude of the media to business in general and oil companies in particular.

The Op-Ed program was Mobil's prime response for dealing with emerging issues in a way that would assure control of the context

of the message. At about the same time as Op-Eds began (sporadically in 1970-71, weekly beginning in 1972), Mobil also made the decision to provide large-scale funding for quality programs on public television, starting with a $1 million contribution (at that time the largest from any company) and providing a new dimension of quality on the airwaves. These two efforts worked together: Op-Ed ads were sometimes used to promote television programs (see III-S), and the television programs created a climate of greater receptivity for the Op-Eds.

In addition, Mobil set about improving its public image by promoting selected philanthropies such as the United Negro College Fund and the Urban Coalition, and by supporting vocational education, jobs for veterans, and similar causes (see III-R). After these and other, primarily low-key themes in the early days, the Op-Ed voice grew stronger, sharper when necessary, but still stylish, in 1972. Op-Eds in the pre-embargo period were primarily concerned with these themes:

Mass transit: Our initial ad (Attachment 1), in the fall of 1970 was designed to draw attention to Mobil through advocacy of a cause which an oil company would not be expected to support. Mobil took the lead among oil companies in calling for a National Master Transportation Program. Such a program not only would provide for the highways the country needs, but it would also make possible adequate public transportation. This was an unusual view for an oil company but, as we pointed out when we announced our position in that first ad, "we don't believe the gasoline consumed by

a car idling in a traffic jam...is the best possible use of America's limited petroleum resources."

The energy situation: Ads (see III-I) dealt with the need for coherent U.S. energy planning, the loss of incentives for discovery of new natural gas due to unrealistic pricing and the dangers of over-use that resulted from these prices, the need to get Alaskan oil to U.S. markets, and the need for additional offshore drilling -- all clear responses to issues already impending, though scarcely perceived. These made 1972 a year of Op-Ed firsts: calling for a national energy policy, warning of a natural gas shortage, and linking economic and energy growth to solve social problems.

Growth: We addressed the need for continued economic growth, for which more energy would be needed, as the only way to provide higher living standards for poor people, both in the U.S. and around the world (see III-J). We believed this emphasis was extremely important in a decade when thought patterns were unduly influenced by the Club of Rome's Limits to Growth-type thinking.

Environment: As part of our effort to get greater U.S. energy growth, we took issue with the extremists of the environmental movement who insisted that cleaning up the environment was an absolute priority, without considering the need for energy/environment tradeoffs (see III-F).

Conservation: Knowing that the U.S. had a serious energy problem, we ran several ads urging greater conservation of energy, particularly gasoline (see III-G).

Capitalism: Our ads drew attention to the value of the free enterprise system in promoting economic growth. In a period of skepticism about business, we explained the role of profits in generating this growth (see III-K, L, M).

One Op-Ed that deserves special mention was "The U.S. Stake in Middle East Peace" which in June 1973 argued the need for a peaceful settlement of outstanding Middle East issues (see III-Q/Attachment 1). This resulted in a huge volume of anti-Mobil mail, demanding that we spell out what we thought was an "equitable" solution of the Middle Eastern situation. Sheik Yamani, however, was so impressed with the ad that he showed it to King Faisal, who asked Yamani to convey his personal thanks to the Mobil Board. The ad demonstrated Mobil's courage and, in this case, foresight, since war and the resulting embargo of Arab oil to the United States occurred soon afterward. Read today in the light of what has happened in the Middle East in the intervening years, the ad seems extraordinarily moderate and even-handed.

In all of these ads, we concentrated on reaching opinion leaders in government, the media, and elsewhere, as the key to changing public opinion as rapidly as possible.

During the pre-embargo period, our Government Relations people in Washington focused on a variety of issues, including natural gas pricing, import controls, environmental restrictions, and taxation. The company continued to argue against further concessions under the Import Controls program, particularly for small refiners which already enjoyed advantages over the majors. But the Administration was sympathetic to the oil industry, and oil industry representatives generally had plenty of opportunity to communicate with officials and members of Congress. Some issues were resolved without rancor.

This comparative calm was felt in Mobil's media relations programs, where a small press relations staff handled routine queries. One major issue at the time was Mobil's operations in South Africa, where we were criticized by church groups, but the company mounted a vigorous defense through exploratory meetings with church leaders and a special report to all stockholders on our operations in that country.

(I-A/Attachment 1)

America has the world's best highways And the world's worst mass transit.

We hope this ad moves people...

In recent years the United States has developed a really superb highway system. It's been built with tax revenues earmarked specifically for road building.

But the highway construction boom has been accompanied by a mass transit bust. Train and bus travel in this country, with few exceptions, is decrepit. The air traveler suffers increasing indignities despite bigger, faster planes.

Greater New York is a typical example. You can depend on commuting to and from Manhattan—but only to be undependable and slow. On public transport, the 25 miles to Westfield, N.J. takes 75 minutes at an average speed of 20 miles per hour. The 33 miles to Stamford, Conn. takes 60 minutes at 33 mph. The 26 miles to Hicksville, L.I. takes 55 minutes at 28 mph. When you're on time.

You have to be a stoic with stamina to use public ground transportation for a trip beyond the commuting range. Fly to a nearby city? You can hardly get at our congested air terminals, either by land or air. The ride to or from the airport often takes longer than the flight.

Mass transit seems to work better abroad. Americans are agreeably impressed by the fast, comfortable, and attractive subways in foreign cities. Intercity trains in other countries make ours look pitiful. Japan's high-speed Tokaido line carries more than 200,000 passengers a day. Clean, comfortable French, German, Italian, and British trains regularly attain speeds over 100 mph. European railroads are already planning or building expresses that will do better than 150 mph.

Yet, in the United States, new mass transit systems are for the most part still in the wild blue yonder.

Providing for our future transportation needs will require very large expenditures. We believe there's an urgent need for legislators to reexamine the procedures used to generate and expend transportation revenues. Such a review may yield the conclusion that special earmarked funds are no longer the best approach.

In weighing priorities, no decision-maker can ignore the increasing congestion on those fine highways of ours, especially in and around the great urban centers. But more and better mass transit could stop traffic jams before they start. Just one rail line has triple the people-moving capacity of a three-lane superhighway.

It costs less—in energy consumption and in money—to move people via mass transit than on highways. Thus mass transit means less air pollution.

It also means conservation. Whether the energy comes from gasoline for cars, or fuel oil, natural gas, or coal for electric power plants, it's derived from a diminishing natural resource. So we think *all* forms of transportation should be brought into a national plan for safe, rapid, economical ways of moving people—consistent with the wisest use of our energy resources.

While Mobil sells fuels and lubricants, we don't believe the gasoline consumed by a car idling in a traffic jam (carrying a single passenger, probably) is the best possible use of America's limited petroleum resources. Our products ought to help more people get where they want to go.

To us, that means a green light for mass transit . . . soon.

Mobil®

This ad appeared in the New York Times on October 19, 1970

© Mobil Oil Corporation

B.) The Embargo, 1973-74

On October 8, 1973, war broke out between Israel and several of its Arab neighbors, and the U.S. rushed additional military aid to Israel. Arab oil-producing nations retaliated by placing an embargo on shipments to the U.S. and several other nations, and OPEC unilaterally raised posted prices nearly 70% (to over $5 a barrel). The exporters, sensing the companies' ability to rearrange supplies, quickly shifted to curtailing production, so that nearly 10% of the free world's oil supplies were removed from international trade during the winter of 1973-74. By year-end, posted prices were increased again, to more than $9 per barrel. By March 1974, the embargo was lifted and production restored. But the era of ample low-cost energy had ended, and a permanent change in how nations manage energy supply and consumption had been wrought. The effects would continue to be felt for a long time, and throughout the economic systems of the western world. Actions taken in the U.S. in the heat of the moment persisted for years. Permanent damage was done to the credibility of the energy industries because of the lack of understanding of the issues by the media and government staffs.

Specific actions started with the Administration's hastily contrived "Project Independence," an attempt to totally end imports by 1980. It was proposed in November 1973, the month when the Emergency Petroleum Allocation Act was signed into law -- a law that plagued the industry with price and allocation controls at all levels until its expiration (and amendments to it) in

September 1981. Government attempts to reduce consumption by cutting speed limits, eliminating Sunday sales of gasoline, allocating shipments, and pressuring major oil companies into husbanding inventories exacerbated the hysteria and the shortage, even though (in retrospect) petroleum supplies would have been adequate for demand for that length of curtailment.

Mobil response

In this situation, Mobil ads

-- Continued to stress the need for improved U.S. energy production and for additional conservation (see III-G and I).
-- Increased the emphasis on the need for profits, at a time when the industry was accused of making "obscene profits" during the embargo, and spoke out against accusations that Mobil was cheating its customers (see III-M, N).
-- Explained some reasons for the shortages (e.g. that motorists were carrying much more gasoline around in their tanks, thus contributing to the difficulty of getting more).

One useful new ad format was successfully used for the first time. This was "Musings of an oil person," which enabled us to address a number of topics in one ad, in a chatty readable style (Attachment 1).

During the immediate embargo period, however, Mobil Public Affairs was essentially on the defensive, as members of Congress and the press accused the oil companies of rigging the shortage, and Senator Henry Jackson castigated the heads of the seven largest oil companies who appeared before his Permanent Subcommittee on

Investigations and insulted them on national television, while labeling oil industry profits "obscene".

Our response was to accelerate reorganization of the Public Affairs effort. This included appointing a Vice Chairman for Public Affairs, and a policy coordinator whose responsibility it was to see that the company spoke with a single voice on all issues. The company also further geared up for an expanded Media Relations effort, with visits by top executives to newspapers in key cities, coordinated with the American Petroleum Institute media program. Efforts were made to get company executives on television programs across the country, combating the negative image of the oil companies portrayed by that medium.

On the cultural front, the highlight of this period was Mobil's introduction in January 1974 of the Bellamy family to the American public on Upstairs, Downstairs, perhaps the best remembered of all Mobil's television productions. The show was eventually to add seven Emmy awards to those "Masterpiece Theatre" had already reaped (see III-S).

(I-B/Attachment 1)

© 1974 Mobil Oil Corporation.

Musings of an oil person...

Wonder if oil company advertising isn't risking indecent overexposure these days. There's so much oil on the tube and in print. Gulf, Shell and Texaco all ran full-pagers on the same day last week in the Times. Mobil's on the Op-Ed page every Thursday. Why do we all do it? Some critics think the ads show the companies are conspiring to brainwash the public. Others think the advertising deluge proves we can't do anything right, not even conspire. But an oil company has to find some way of speaking its mind and letting the public know what's going on, especially now when oil companies are accused of being secretive. Have to take risk of moving Tom Wicker to nausea over the "...pious, self-serving, devious, mealy-mouthed, self-exculpating, holier-than-thou, positively sickening oil company advertisements in which these international behemoths depict themselves as poverty-stricken paragons of virtue embattled against a greedy and ignorant world." Tom turns a nice phrase, but doesn't he know we're frustrated in trying to get information to the public? Try to buy time on TV to say something substantive and the networks clobber you with the fairness doctrine. Same with radio. Several congressmen want the FTC to require a company to substantiate its idea advertising, just as if an idea were like a new toothpaste. Why don't they exhume Madison and make him substantiate the Bill of Rights? Sure, we can stick to print media to tell our story. But newspapers and magazines frequently don't understand the complexities of our industry. Only a few have oil specialists. And how many deadly news releases can we send them before they scream for mercy? Much better to use TV to try to reach the millions whose opinions about oil are swayed by what Cronkite, Chancellor and Reasoner say every evening. Briefly! In 30 seconds they can suggest enough wrongdoing that a year of full-page explanations by us won't set straight. Hate to be on the defensive all the time. Arm our top management people with facts and get them on TV panels and talk shows. They still look drab next to a politician making some wild allegation against us because he's running for something. Does he have to run on our backs? Sure he does--as long as there are gas lines. What do we tell the guy who's boiling mad at us--in our station or some other company's--after waiting two hours for the privilege of paying $1.10 for two gallons of gas? Are we going to tell him he's been wasting energy for years? No way. Tell him to lay off those jackrabbit starts? He'll find that out for himself. That Detroit's naughty for building big cars, that we shouldn't have built all those superhighways, that we're sorry we gave away all that glassware? Forget it. Should we remind him we've been warning for years that the energy crisis was coming? He'll mow down the pumps and who would blame him. No, have to focus on the positive things we can do. Tell him we're recycling the money he pays at the pump right back into oil-finding offshore, Alaska, anywhere. Into more refinery capacity. Into oil shale, synthetic fuels from coal, tar sands, far-out processes in the lab. Dammit, we're a can-do company in a can-do country. Give us a few years and we'll make gas lines just a quaint recollection of the mid-70s. In the meantime, try to reason with Washington against counter-productive laws and regulations. Fight the two-times-two-equals-five logicians who think the same outfit that brings you the U.S. Mail can find oil three miles under the ocean bottom. Give people the facts. Give them genuine information. Speak out. Persuade them to listen. Never bore them. If at first we don't succeed, bust a gut trying again. No other way. Or we all end up working for the government.

Mobil®

This ad appeared in the New York Times on February 28, 1974.

C.) Between Crises, 1974-78

The shortages, as perceived by the public, ended as abruptly as they started when the President appealed to oil companies to release their inventories to the maximum extent possible. Clearly, government had intensified the shortage but the companies got the resentment for the inconvenience suffered by the public and were unjustly maligned by the inaccurate and sensational news reporting -- reporting that included accusations of "contriving" the shortage for profit and accounts of phantom fleets of tankers and barges cruising offshore waiting for prices to rise. This resentment made good political fodder; an estimated 4,000 bills were introduced in Congress to break up, tax and otherwise penalize the oil companies.

Just after the embargo ended, the generalized price controls imposed on all industries were terminated. But petroleum remained under controls due to the legislation enacted during the crisis. And these controls then became even more unmanageable; layer upon layer of schemes began to be created to take care of each new problem as it arose. In November 1974, the "Entitlements Program" went into effect, to share access to cheap domestic crude among refiners. And, of course, the vested interest groups began to nibble away at the program, intent on getting more than a fair share. February 1975 brought the imposition of an additional oil import fee of $1 per barrel for crude and a 60¢ fee per barrel of imported products.

Fanned by politicians, hostility toward the industry continued to mount in the U.S. Percentage depletion allowances were entirely eliminated for all but the smallest producers. The fungibility of the foreign tax credit among the various foreign functions of U.S. companies was severely curtailed, but only for oil companies. On October 4, 1975, the U.S. Senate narrowly defeated a measure to break up the U.S. petroleum companies. And in December of 1975, the Energy Policy and Conservation Act became law, giving the President some flexibility in setting crude prices, cementing the concept of "new" and "old", and most importantly keeping the price of domestic crude below the cost of imports. With this new legislation in effect, the $2 a barrel crude import fee was removed at year's end. An attempt to deregulate new natural gas prices passed the Senate but was defeated in the House by a vote of 205 to 201 in February 1976, despite the fact that U.S. gas production had been declining since 1973 and oil imports were continuing to skyrocket (they reached their maximum level at 48% of U.S. oil supplies in 1977).

At the beginning of the 1976-1977 winter, the FPC announced that gas curtailments would exceed those of the previous winter and reach 25% of total requirements. In its last major action before its demise, the FPC nearly tripled the allowed price for the latest finds of natural gas prices from 52¢ to $1.42/MCF and indicated that in future rulings it would begin using the equivalent oil price as its standard in setting gas price ceilings. A January 1977 survey by the FPC claimed that gas curtailments had caused lay-offs of nearly one-half million workers in 7,000 closed factories.

But by February, the Administration declared the gas crisis over. Accusations of withholding natural gas supplies in the Gulf of Mexico began to make headlines.

Despite counterproductive actions in many areas, the glimmerings of sense in national energy policy began to show. In January 1977, the ban on development of oil and gas in the Santa Barbara channel was lifted. In June, the first oil started flowing through the Alaskan Pipeline. And in July, the first oil began to flow into the nation's Strategic Petroleum Reserve.

But these positive developments were far outweighed by the announcement of President Carter's National Energy Plan (NEP). The plan included continued price controls on crude oil; extension of price controls to intrastate gas; a tax on domestic crude oil to equate its price to foreign; an excise tax on automobiles that varied inversely with fuel efficiency; a tax on industrial users of oil and natural gas; and a standby gasoline tax. The emphasis was all on conservation, with nothing for new supplies. Even coal was further hobbled when President Carter signed the Clean Air Act Amendments of 1977, which mandated the use of expensive scrubbers with all coals regardless of quality and need for cleaning.

In August 1977, the Department of Energy was established, inefficiently combining regulatory, administrative, and policy functions in one agency -- and thus completing the transition of energy policy formulation and regulation from a small group of several dozen people operating out of the White House Office of Emergency

Preparedness in 1970 into a gigantic bureaucracy with many thousands of regulators.

Adding insult to the NEP and DOE injuries, President Carter on October 13, 1977, accused oil companies of "seeking to profiteer and grab money from the U.S. consumer."

By the summer of 1978, Congress had approved essentially all the items asked for by President Carter a year and a half earlier, including the Natural Gas Policy Act. While this act was presented as a move towards decontrol, it actually established more than 20 gas price control categories, brought intrastate gas under price controls for the first time and delayed any significant deregulation until 1985 or later.

As the end of 1978 approached, the U.S. government had done little to encourage any form of new domestic energy supply. It had not created a Strategic Petroleum Reserve of any significance, despite two years of ample international supplies that would have permitted acquisition without disturbing the international market. It had emphasized conservation only to find energy and oil demands higher than when the embargo began. By the ultimate measure, oil imports, the nation was nearly three times as badly off as in 1970. The figures tell the story -- oil imports: 1.2 billion barrels in 1970; 2.3 billion in 1973; 3 billion in 1978, despite the fact that Alaskan oil had begun to flow in quantity. The fact that for most of the period from 1975-1978 the real price of imported crude oil

had been stable or declining has been ignored, and the opportunity to take advantage of this breathing spell was lost.

Mobil response

During this period, Mobil's total Public Affairs effort was geared to counter hostile sentiment in Washington and in the media. In addition to continuing our Op-Ed program with continuing emphasis on the need for growth in energy and the economy (see III-I, J), we were called upon to respond to a variety of new attacks.

Of these, the greatest threat was the series of moves in Congress to break up the 18 largest oil companies into separate exploration and producing, marketing and refining, and transportation units. In an emotional anti-oil company atmosphere, Mobil took a prominent part, both on its own initiative and in cooperation with the API, in beating back this threat.

In the crucial hearings before the Senate Judiciary Committee's Subcommittee on Antitrust and Monopoly, Mobil played a key role in lining up witnesses to show in Congress and the media that divestiture could not reduce oil prices, but on the contrary would cause serious economic, political, and strategic problems for the United States. One of these witnesses was Mr. Tavoulareas, for whom Public Affairs prepared testimony and briefing material. His testimony was reprinted by Public Affairs and widely distributed in a booklet entitled "Why Divestiture Won't Work" (see Attachment 1). Public Affairs also produced a briefing paper, rebutting charges against the oil companies in detail, which was used by Senators opposed to divestiture.

We also helped produce testimony for Mr. Massad before the House Judiciary Committee on the joint venture aspect of divestiture, with the result that committee staff members asked for a meeting with Mobil, where we explained how prohibition of joint ventures would seriously impact on our operations, particularly in the Middle East. The same staff members also asked to meet with Mobil on the whole divestiture issue. Those discussions helped contribute to a report by the House committee on horizontal divestiture favorable to the oil industry.

Mobil also backed up its efforts in Washington with a strong public relations effort to convince the public that vertical divestiture made no sense. The effort included Op-Ed ads (see II-C/Attachments 1a to 1i), "Observations" columns, tours in which top executives visited 21 cities in 18 states, special TV appearances by Mr. Schmertz, 160 talks given by the Speakers' Program by volunteer employees, and the placement of by-lined articles in newspapers and magazines. Gradually it became clear that divestiture was indeed a non-solution to the problem of increasing energy prices, and the issue was left to simmer on a back burner where it still sits.

Mobil Public Affairs also played a prominent role, both independently and in close collaboration with API, in defeating the equally ill-advised proposals to prevent oil companies from diversifying into other enery source development, or to make them give up their existing holdings. Mr. Schmidt and later Mr. Schmertz, chaired the Committee on Industrial Organization of the API, which coordinated

the oil industry's effort to turn back Congressional pressure for horizontal divestiture. This issue, too, died in Congress as it became clear that prohibiting oil companies from investing in other energy sources would deprive the coal and other industries of needed financial and technical resources.

Mobil also engaged in dialogue with others who proposed a variety of inadequate solutions to the nation's energy problems. Prominent among these was our criticism of the Ford Foundation's energy study, A Time to Choose, that urged conservation as the primary thrust of energy policy, and attacked the oil industry for allegedly gaining all kinds of subsidies at the consumers' and taxpayers' expense. That study's strongly pro-conservation stance led to a change in our own Op-Ed statements, to argue now that "conservation isn't enough" (see III-G).

Similarly, we criticized a proposal that OPEC nations should be encouraged to break their "cartel" by being asked to submit sealed bids for imports into the U.S. energy market -- a proposal which was obviously impractical in a period when the U.S. was greatly dependent on OPEC for a large proportion of its imports.

The emergence of soft energy technology as a major issue in this period led to Mobil efforts to put the energy issue in perspective, by explaining that solar and some other technologies would not make a major addition to U.S. energy supplies, at least not in the near term.

During this period, we also tried to reach out to organized labor with a series of ads stressing the point that business and labor shared a vested interest in continued economic growth, and that labor should therefore favor greater U.S. energy development. These ads, however, ran into difficulties when labor publication editors balked at subjecting union members to advocacy advertising by a leading company.

Also, Congress's anti-business mood led to enactment of measures to combat the Arab boycott of goods produced by companies viewed as favorable to Israel. A good deal of misinformation led to the writing of bills in Congress that would indeed have prohibited imports of Arab oil into the U.S. at all. By drawing attention to this issue (see III-Q), and by making our views known in Washington, we were instrumental in getting a less onerous, although still unsatisfactory, bill that was passed into law.

In our print communications, this period was characterized by the introduction of innovative techniques to get our messages across. The year 1975 was proclaimed by Mobil as the "Year of Energy Action," (YEA), with Op-Ed ads, magazine ads, accompanying booklets, and special publications all spelling out the theme (Attachment 2). During this time, we ran several series of Op-Eds, urging the formation of a coherent national energy policy (Attachments 3 and 4). In an attempt to freshen our basic energy messages, we fashioned some novel campaigns -- fables in 1976 (Attachments 5a-d) and "Energy Mysteries" in 1977 (Attachment 6). (In 1980, TV commercials based

on these fables and a later series attracted a great deal of attention, much controversy, and two "Clio" awards.)

This period also saw an intensified battle between Mobil and television on the whole question of a company's right of access to the airwaves. Television's biased reporting of events during the Arab embargo, including failure to permit oil-company executives to explain what was really happening, led to a Mobil campaign to get paid ads on television. But, despite even an offer by Mobil's president to pay for rebuttal ads if Mobil could get across its own message, the networks insisted that their own journalists should determine what views would be presented (see II-B/Attachment 6).

Mobil did successfully counteract some biased TV reporting by taking out full-page ads in the print media to dissect TV correspondents' inaccurate reporting. Perhaps as a result of this tactic, irresponsible TV reporting of energy news on TV has considerably diminished.

In this regard, the Op-Ed program was reinforced by the start of the "Observations" column (Attachment 7), appearing in newspaper Sunday supplements. In a relaxed way, these columns got across Mobil's major themes, not only the need for energy but the need for less regulation (gaining much of the initial publicity in the U.S. for Murray Weidenbaum). The program was gradually expanded to reach close to half the households in America.

In all, considerable progress was made. The New York Times, in particular, began to recognize that Mobil had a position worth

evaluating on some energy issues, and some ads caused newspapers to clarify their views, making them more in alignment with Mobil's. On occasion, there were actual dialogues between newspaper editorials and our Op-Eds (see III-B).

Mobil's efforts to get across the company's messages in Washington and to opinion leaders through the print media were supported by a major program of media "blitzes" in which top executives criss-crossed the country, appearing on television and meeting with the press, with heavy backup support from Public Relations. For example, three blitzes were conducted between 1975 and 1977, on Mobil's proposals for a National Energy Plan, on the divestiture issue, and on the topic "Is America Running Out of Oil and Gas?" This last involved 23 senior Mobil managers, who visited 29 cities in 21 states, calling on 30 newspapers and appearing on 69 television shows and on 68 radio programs. The first two blitzes included visits to 90 newspapers and 450 radio and TV news shows.

Also in this period, Mobil began to produce on a regular basis Public Service Announcements in which third-party commentators spoke on issues important to Mobil such as profits, gasoline prices, offshore drilling, federal lands, and environmental protection (see II-B). About 175 stations regularly carried the messages (without charge to Mobil), reaching about 20 million people. The company also produced two-minute news clips in which Mobil people discussed important issues, and these were picked up by many stations across the country.

Press relations were also greatly expanded during this period. Mobil put special emphasis on getting adequate responses to any inquiry as fast as possible, with top executives being aware that our credibility depended on giving quick, full, and honest answers.

Mobil also set up a Speakers Program, in which company executives around the nation were encouraged to speak out. They were supported by pattern speeches written on important topics by the Public Relations department, and by a bi-weekly newsletter with information on energy issues and backup materials. Some 250 executives received these materials, and used them to good advantage in addressing Kiwanis, Rotary, and other civic organizations. New speakers received professional speech training.

Mobil initiated a new program to make its own employees more aware of the issues, and to supply them with information needed to enable them to respond to criticisms of oil companies. This program included:

-- Executive Forums, in which top company executives were invited to respond to questions from employees. In crisis periods, the company conducted as many as 10 of these a year. Highlights of executives' responses were videotaped and made available at company headquarters, in the field, and in some cases overseas. Also, special programs of interest, on such topics as Mobil's operations in the Middle East, profits, and the gasoline shortage, were videotaped and shown to wide audiences.

-- A wall poster program, in which information on company activities and events of interest was regularly maintained. Topics have included divestiture, profits, the need to get rid of excessive government regulation, and the role of alternate energy sources.

-- The company's regular employee publication, Mobil World, has since 1976 included a feature known as "Playback," in which a selection of anonymous employee inquiries and management responses are printed. These are only a few of the 1,000 or so questions a year handled in the full-scale "Playback" program of Employee Relations.

-- Distribution of news releases and other materials in the headquarters lobby, and a program of mass mailings to the field to alert employees to imminent problems, so that they can express their views to their Congressman and Senators if they wish. A publication, Making Your Voice Heard in Washington, was developed to aid them in their letter writing.

Investor relations were also greatly upgraded during this period, with Mobil taking the initiative to establish far greater personal contacts with key analysts and portfolio managers. Whereas during 1960-75 the company scheduled only occasional meetings with the financial community, from 1976 onward company representatives met with various analysts and portfolio managers on a frequent and increasing basis. Activities have included a regular luncheon program, in which senior executives meet with key analysts in New York, and regular visits to selected analysts and portfolio managers around the United States and in Europe. As a result, Mobil

is perceived as a company which keeps up its contacts with the investor community in both good times and bad, as contrasted with some companies which are thought of as communicating only when the company is doing well. A variety of articles in the business press, such as Finance Magazine (Attachment 8), also attest to Mobil's improved relations with the financial community.

This heightened effort to get across Mobil's viewpoints on major issues was supported by a great expansion of the company's cultural programs, both at home and abroad. Besides continuing to support Masterpiece Theatre and putting together an informal network to show quality drama on commercial television (see III-S), Mobil also increased its sponsorship of art exhibits, catalogues, and community projects, in which Public Affairs wrote or produced backup art and culture ads and promotion. The company supported museums through its popular Summergarden program at the Museum of Modern Art and other efforts, essentially using Mobil funds to keep museums open additional hours. A noteworthy development, in this period of oil-company unpopularity around the country, was that in 1975 cultural events were sponsored and promoted in many scattered locations where Mobil was represented: Torrance, California, Anchorage, Alaska; Philadelphia...not just New York and Washington (Attachment 9a-e).

These cultural activities were extended overseas with booklets and filmstrips designed to buttress Mobil's operations abroad. Thus in a period when Mobil was concerned with increasing its access to incremental supplies of Saudi Arabian crude oil, Mobil produced a

major book, The Genius of Arab Civilization, which attracted much favorable attention in the Arab world, and supported the founding of a Committee to Honor the Fourteenth Centennial of Islam and the development of a Middle East "outreach" program that now includes approximately 50 colleges and universities in the U.S. Our quality intellectual/cultural magazine designed for overseas audiences, Pegasus, continued to be in demand by affiliates. Additional books were produced on Nigerian art, the "living treasures" of Japan, and "famous living Austrians".

Within the United States, Public Affairs cooperated with Mobil Foundation in determining what programs in the field should receive company financial support. Under this effort, some 60 managers in the field are encouraged to forward nominations for the support of cultural activities. Besides being good citizenship, this program helped improve Mobil's image in periods when we were under serious attack.

Outside its regular Public Affairs activities, Mobil also strengthened relations with influential "think tanks," which began to issue an increasing volume of materials questioning the "left-of-center" wisdom of the time. These institutions included the American Enterprise Institute, the Hoover Institution, and the Heritage Foundation. By so doing, Mobil indirectly participated in changing the national climate of opinion, which manifested itself in the 1980 election. These activities also paid off by giving Government Relations staff early access to several key

executives in the present Administration, since they were drawn from these organizations.

D.) The Iranian Crunch, 1978-80

One month after Congress approved a law extending price ceilings to intrastate natural gas, a strike by Iran's oil workers began to affect that country's exports of crude. But this was largely obscured in the public's perception of energy by reports of unrelated spot shortages of some grades of gasoline (due to the workings of the allocation mechanism) and claims by the Department of Energy that oil refiners had been overcharging for home heating oil since price controls loosened two years earlier. The stage was set for Ayatollah Khomeini. In December of 1978, OPEC announced a plan to increase by April 1979 the price of marker crude by about $2 to $14.50/barrel, sensing strong worldwide demand and trouble in Iran.

By January, Iranian oil exports had fallen to zero, depriving the western world of 5 million barrels/day. By late February, the Iranian cutoff began to affect U.S. refiners. Gasoline lines began to spring up again in some areas of the country, while other areas had a surplus of gasoline shipped there under the mandates of the allocation program -- a situation that was to prevail through June.

From New Year's Day 1979 to New Year's Day 1980, the price of world crude oil doubled. This time price increases had a tremendous impact on demand and as demand fell other nations (especially Saudi Arabia) increased production. The U.S. shortage's hysteria of the spring of 1979 quickly faded; indeed, it is difficult to determine just how much of a shortage occurred in the U.S. during that period -- especially since the inconvenience felt by the public

was probably largely caused by the government allocation mechanisms. But this was a fact that could be easily misinterpreted, and media reports about profit gouging, contrived shortages and phantom tanker fleets again abounded.

The renewed hostility against the oil industry took its toll. Faced with the prospect of a September 1981 termination of crude price control authority, President Carter proposed phasing out controls in order to bring domestic prices into line with world prices. But he and Congress would not let either the revenue or the incentive go towards the production of new domestic supplies; the result: the passage of the Windfall Profits Tax Act of 1980 which taxes away most of the allowed increase in domestic price. Fortunately, intervention by Mobil in particular (see page I-D/3) helped persuade Congress to allow some additional incentive for oil that had not yet been discovered, although not the full incentive of the marketplace. And the response by the industry, even to the small increase in incentives, was predictable and dramatic: Drilling for oil and gas in each instance surged forward, setting new records.

Throughout the period since the 1973 embargo, some producing countries often found themselves with revenues surplus to their immediate development requirements. These surpluses surged into the world's banking centers, creating the basis for money supply growth and inflation. Since 1973, economic growth has been dramatically curtailed and recessions occur with increased frequency and severity. The adjustments to expensive energy are difficult

and costly and the countries of the less-developed part of the world have been the least able to cope. The price escalation surrounding the Iranian supply curtailments seem to have created new recessionary and conservation effects at the very time the longer term conservation effects of the 1973-74 price increases were beginning to become apparent. The result has been a sharp curtailment in the free world's demand for crude oil, a curtailment which focused entirely upon OPEC.

Mobil Response

Although the Iranian crisis led eventually to government measures to decontrol oil prices, it was also a period of new and in some ways unprecedented attacks on oil companies.

-- Mobil's major effort in this period was directed at obtaining changes in the proposed Windfall Profits Tax legislation, which in its original form consisted almost entirely of punitive tax on oil companies without any incentives for increased exploration and production. In this effort, Mobil parted company with the rest of the oil industry by urging that oil still to be discovered should not be subject to such a tax and should be free of price controls and that, if the U.S. government agreed to this, we would be willing to forego decontrol of existing reserves beyond increases for inflation.

-- Public Affairs backed up this Mobil policy by explaining the company position to many who thought we simply favored controls, and by a campaign urging employees and annuitants to write to their Congressman and the House and Senate leadership.

The Mobil initiative, which attracted many inquiries and comments on Capitol Hill, was reflected in the modified final bill in which new oil was given more favorable treatment than old.

-- Realizing that the United States would have to rely on coal and nuclear fuels to provide energy in the near and intermediate term, Mobil stepped up its advocacy of these energy sources, particularly nuclear (see III-I). We especially noted the need for reduced restrictions on nuclear development.

-- We took issue with newspaper reports of government accusations of oil company overcharging under price controls, since the accusations got prominent headlines and the oil companies' denials were given less prominence. Frequently, too, when the accusations were dismissed in the courts, that news was either not printed at all, or given short shrift on an inside page. We predicted the outcome of some of these cases and reminded readers that we had done so (see III-B).

-- This period also saw the emergence of state issues, as hard-pressed state governments latched on to the idea of taxing oil companies to generate revenues in a politically acceptable way. We spoke out when we considered these measures to be unfairly biased or illegal (see III-D).

-- Also, we had the unprecedented problem that a U.S. President more than once singled out Mobil by name for attack. While this might be considered a reverse tribute to our Op-Ed program, we had to correct the President's misstatements (see III-C).

While developing these themes, we continued to urge a return to a free enterprise economy, and to discuss what energy prospects would be if a free market were to be restored.

The company maneuvered around the TV network boycott of advocacy ads in 1980 when we arranged to have our issue-oriented "Fable" commercials aired on 54 independent stations and network affiliates in the top 50 markets comprising what we called the "Mobil Showcase Network". The messages reached about 22 million people and were the subject of a Time magazine story because of the uniqueness of the approach.

Also in this period, Mobil took out full-page ads criticizing CBS's coverage of our third quarter 1979 profits (Attachment 1). To help improve coverage of our fourth quarter and year-end earnings, we distributed to the media a detailed background paper called "Earnings in Perspective," and invited television people to interview company executives. The company also issued a nine-page press release describing our earnings. These efforts paid off with generally improved press coverage, and ABC-TV network news and Channels 5 and 11 in New York ran objective stories.

In this way, Mobil was able to draw on the credibility established in the years since the 1973-74 embargo to gain much more understanding from the media in the new Iranian crisis. Other programs in place, like the employee communications program and the Speakers Bureau, were also valuable in getting across Mobil's messages and combatting new unfounded attacks on the oil companies.

E.) The Emerging Glut, 1980-today

Since 1981, a major change in the world oil position has again taken place. Price-induced conservation (after the shock of the near tripling of prices since the Iranian revolution) and recession have cut demand all over the Free World. Production had increased rapidly outside OPEC, especially in the North Sea and Mexico; even in the U.S. the downtrend in crude output has been halted, at least temporarily. Inventory change also alters the balance of supply and demand: after the crisis cooled in mid-1979, the expectation of continued price increase and short supply provided a powerful incentive to build and hold inventories which delayed through much of 1981 the appearance of glut. Now with prices weak and interest rates high, the incentive has reversed, possibly prolonging the glut. There are only limited data on Free World inventories, largely those held by major oil companies and governments; there are almost none for inventories held by end-users of petroleum products. Yet, the fact is clear: OPEC production has been cut back by more than a third in the past 2½ years.

These then are the uncertainties that must be faced by policy makers and planners. How much does price reduce the usage of oil? How much is it due to deepening recession? Can OPEC become a real cartel enforcing production curtailment? How much incentive should be given to non-OPEC energy production? How much, at what price, and who will pay for strategic inventories? Should we develop plans to manage another crisis, and how can we do so? How much

attention should be paid to the long term when resources, such as oil, will become scarce through depletion instead of politics?

One answer was given by the Reagan Administration at the start of its term: It is better to err on the side of oversupply. In January 1981, crude oil and products were decontrolled. For a brief instant prices rose and allegations of profiteering, manipulation, and gouging again arose. Soon, with excess refinery capacity and world crude oil in oversupply, competition began forcing prices down -- vindication for the free market. This, however, is a lesson that even the Reagan Administration is not yet ready to put fully into practice, and one that those who oppose expansion of domestic energy by private enterprise still largely ignore. For example, approaches to speeding decontrol of natural gas have been delayed or aborted by partisan election politics.

Many other issues of national energy policy and security remain unresolved -- hampered not only by fundamental political problems but also by a still too low level of understanding of energy supply/demand dynamics by the public at large, the media, and policy makers. Dismantle the DOE? Yes, but the how of it stymies efforts to make both policy formulation and regulation more effective. With falling world crude-prices, proposals abound to impose an import fee, motivated more by the need to raise tax revenues than by consideration of domestic supply, equity, or effectiveness.

Similarly, the program to fill the Strategic Petroleum Reserve is threatened by questions of cost and need for it, with little

recollection of the opportunity lost just prior to the Iranian cut-off. On the other side, how and when to release oil from it in an emergency, is questioned by those who would use it as an instrument of control of the private sector and those who seek to carve out special privileges for themselves. This is an issue that has had greater prominence as "Emergency Preparedness" legislation: After a year's debate Congress passed the legislation recently vetoed by the President who claimed he has enough authority already. But is the U.S. really better able to handle the next emergency since gasoline rationing is not on the books any longer?

A host of other key issues, some valid and some contrived to take political advantage of anti-industry sentiment, are on the current agenda. Of the former, regulatory reform and constructive changes in the Clean Air Act, which is up for renewal, are important to domestic energy supply development. Of the latter, attempts to legislate divorcement of oil company marketing functions and "open supply" for branded service stations, are indicative of unconstructive, but politically productive, schemes.

On a more general level, the question of relations with the key foreign suppliers -- including Mexico, Canada, and Saudi Arabia -- is not handled consistently or with adequate regard for supply security; the excessively emotional debate over the AWACs sale is one example. Canada complains about the U.S. burning too much coal while it acts against expansion of its oil production.

Imports of natural gas from Mexico become hostage to arguments over emigration and nationalism.

On an even more general level, the whole issue of the measurement, adequacy (or as some still say: excessiveness), and role of profits in the development of new energy supplies remains a subjective, rather than objective, dilemma for national policy. Activists who believe company profits are excessive still protest in front of oil company headquarters and get good coverage on the evening TV news.

On the most general level, that of the national economy, oil producers and consumers have become attractive targets for new taxes in a time of recession and unacceptable federal deficits. Such ideas need careful examination not only for potential revenue, but also for the impact on demand and supply incentive. Also, the foreign tax credit is again under assault -- this time in the guise of a "minimum corporate tax" -- despite its effects on the position of U.S. companies in an extremely competitive foreign market and the role these foreign operations play in U.S. supply security.

Looking back to pre-embargo 1973, many of the issues of emerging national policy and the state of public attitudes look much the same. Most distressingly, oil imports as a share of domestic supply are also about the same: 36%. How will resurgent energy demand be met when the U.S. economy emerges from recession, as well as in the 1990s? With what security, cost effectiveness, environmental impact, and by what kind of institutions?

Mobil Response

In a radically different political climate, Mobil has begun to realign its public affairs efforts so as to address many new problems, as the world enters a new energy era.

One new major emphasis has been our efforts to strengthen the hand of the Administration as it has made determined strides towards a free market in energy and in the economy generally (see III-E). So we welcomed this new regime, and highlighted the beneficial effects of crude oil decontrol on U.S. oil production. During the ongoing controversy over the proposed budget deficit, we urged constructive steps to minimize the deficit by delaying tax reductions and some defense expenditures, and imposing a tax on decontrolled natural gas, but not on gas yet to be found.

In this period, in which Mobil has made two major attempts to improve its crude oil self-sufficiency through purchase of other oil companies, we have forcefully presented our views in Washington while exhausting legal and financial remedies. Advocacy advertising was sparingly used in this effort, since success essentially hinged on legal interpretations rather than public opinion. We did, however, use in ads and a letter to shareholders a W. P. Tavoulareas article in The New York Times (Attachment 1), in which we noted after the Conoco/Marathon failures that the interests of company shareholders have been shortchanged in the maneuvering by company executives to avoid takeover of their companies and enrich themselves.

We have continued to speak out in favor of constructive moves towards peace in the Middle East.

We have forcefully presented our views on some issues that are unresolved. For example, we have urged changes in the Clean Air Act Amendments, which we believe would be cost-effective without endangering environmental progress already made. We made another effort to explain the basics of the foreign tax credit, which is still imperfectly understood by the news media.

Our Government Relations efforts moved into several new fields. The company expended considerable effort (including an Op-Ed ad) to support the Administration's efforts to achieve passage of the controversial AWACs legislation so that these planes could be sold to Saudi Arabia, and this effort was acknowledged by senior Administration officials to the general manager of Government Relations. GR arranged meetings for top Mobil executives with members of the Canadian embassy and the ambassador to discuss aspects of Canada's National Energy Plan which seriously impact on Mobil. GR has also taken part in efforts to adjust the status of aliens of exceptional ability, when the company would benefit from their presence in the U.S.

In Investor Relations, special emphasis has been given in early 1982 both to appraising the financial community of the severity of market conditions prevailing during this period of crude supply imbalance (so that investors will not be unduly surprised by financial results when issued), and to re-emphasizing Mobil's underlying

strengths, both upstream and downstream (so that investors do not underestimate our longer-term strengths).

This year, Investor Relations has set up meetings for Messrs. Warner and Tavoulareas with investment officer groups of several large institutions in New York, and for Messrs. Massad and Murray with oil analysts in Boston and New York. The Investor Relations group has also met with institutional investors in 12 major cities. Special brochures on our upstream and downstream strengths are being prepared for distribution to analysts and investors throughout the U.S. and Europe. (See II-E)

In its cultural activities, Mobil undertook a significant venture in 1981 by supporting amateur athletics (see III-T). In a period of rising costs, and when American athletes were deprived of the opportunity to appear in the Olympic Games in Moscow, Mobil is underwriting the USA/Mobil Indoor Track and Field Championships, held at Madison Square Garden in New York. Mobil's sponsorship of these events has generated a great deal of favorable press coverage.

Continuing its support of Masterpiece Theatre, Mobil sponsored such dramas as A Town Like Alice and a major documentary on evolution, Life on Earth.

We hope to increase our corporate giving in areas where the poor directly benefit, responding to the President's appeal to business to help in areas where Federal aid has been reduced or eliminated.

This will be a very selective process in which we will seek out the effective, visible and imaginative.

As other new issues are formulated, in a period of chronic economic and political difficulty around the world, we will continue to address our various publics in a provocative and, we hope, useful way. We will increase our activity at the state and regional levels, to which some of the energy action is now shifting, to insure that Mobil is fairly treated. We will continue to present Mobil to the investment community as a company of improving potential, aggressively seeking to improve its crude oil position and diversify into alternate energy development as this is economically justifiable. We will continue to keep shareholders and employees especially well informed on public affairs matters, recognizing the value of their support.

# # #

Evolution of Mobil's Public Affairs Programs 1970-81

Evolution of Mobil's Public Affairs Programs, 1970-81

INTRODUCTION

Mobil's Public Affairs programs have evolved around three basic premises as outlined by Rawleigh Warner, Jr., in 1970:

(1) build our reputation as an outspoken responsible company concerned about our energy future and major social issues;

(2) initiate debate on major public issues that concern us;

(3) broaden the spectrum of information and viewpoints available to the American people, to help them reach the conclusions necessary for sound public policy in a democratic society.

(Excerpts from statements by Mr. Warner more fully setting forth his original Public Affairs concept for Mobil, and outlining some major activities, follow immediately after this introductory section.)

Taken together with support for public television and other cultural institutions, these underlying themes of social responsibility and determined advocacy have given Mobil a unique position in America's social consciousness. The purpose of this volume is to provide an overview of how Mobil's Public Affairs programs have evolved -- becoming a part of American culture itself as well as part of the American dialogue on major public issues involving our company.

In this volume's review of more than a decade of Mobil's Public Affairs programs, we will survey the major directions, activities, and objectives. Some of these may be familiar to you, particularly the more prominent national programs. But some may be fresh and

noteworthy, especially if you have not had the opportunity to directly experience all the years of all these programs, for we have included representative samples of some local or specialized areas.

Since we will be dealing with some long out-of-date events from a dozen years that involved major dislocations in supply, hostile Federal Administrations, and a climate in which politicians inflamed public doubts about our industry and company, we begin by recapitulating with a chronology since 1970. We break the entire period into five time frames -- before, during and after the 1973-74 oil embargo, the Iranian crisis, and since. Individual chronology sections may include materials documenting some points of the time periods, but most supporting material is elsewhere in the volume, and is cross-referenced. Together, the sections review what happened in the world and nation, and what Mobil Public Affairs attempted and accomplished in response to these events, or frequently in anticipation of them.

The second part of this volume organizes our activities by the publics we address -- opinion leaders (the media, federal and state officials, and others), the general public, the investment community, our own employees, and foreign governments. Here we consider not the year-by-year programs, but the overall impact they have had -- and this is substantial. Where possible we include polls, surveys, and other systematic assessments of our effectiveness -- for example, the survey showing that "Observations" readers have been influenced toward Mobil's opinions on several important energy issues where non-readers have continued to hold views less favorable to us. Of necessity, other materials are

descriptive -- a study, for instance, correlating the substantial change in The New York Times editorials over the years toward the very positions we have argued (though, of course, we can't prove a direct relationship since so many other factors affect an editorial writer). Some materials are narrative, such as a case study of how Mobil's Government Relations and Public Relations led the industry fight against divestiture proposals in the mid-1970s -- a signal success. Still other materials are examples -- for example, what the media actually said about Mobil, or what views are held by other opinion leaders. And some materials are simply anecdotal, yet illustrative -- to mention one example not cited elsewhere, the Mobil executive who had three separate seat companions on a recent trip to Indonesia; all three volunteered complimentary remarks about our Op-Ed ads, and wondered why other oil companies weren't doing the same. In the wide variety of materials, you will find even cartoons, presented as illustrative of the thesis that "Mobil" has become synonymous with "corporate good works".

The third and final portion of this volume describes and presents some of the main themes we have argued over the years.

Throughout, of course, you'll find some of the high points -- for example, in 1975, Advertising Age, the "bible" of the ad industry, named Mr. Warner as "Adman of the Year." Said Ad Age:

> "Mr. Warner was selected as representative of a company whose shoot-from-the-hip, gutsy 'idea' advertising has added a new dimension to corporate advertising during a period of unprecedented attacks by government, the media and consumer advocates

not only on the oil industry, but on American business in general."

In fairness, we also have included some of our less-successful campaigns. Example: The 1978 series of ads like Op-Eds intended for various labor publications; these were designed to strike a common theme for labor and business in promoting policies toward economic growth. The series might have worked with the readers, but some of the publications' editors rejected the idea of filling their labor-union pages with so prominent a management voice as Mobil's.

For all of the voluminous content of this briefing book, we have touched only the outlines and a tiny portion of the relevant details of all that we have attempted and done. To limit the bulk, we have eliminated duplication of explanation and example wherever possible, relying instead on cross-references where necessary; still, there simply isn't room for a thorough-going condensation of the 220 file drawers of material from 12 years of our Public Affairs programs through 1981. This volume merely sets the stage, and even that limited attempt might not succeed since so much has been excluded.

But what emerges nonetheless is a picture of some of the facets of Mobil's corporate personality:

-- Reasoning, intellectual, sensible, and attractive to many intelligent people.

-- Demonstrating a well-defined economic philosophy, and a thoroughly expert awareness of our business and of the world's energy realities.

-- Showing social concern and sensitivity to environmental issues.

-- Concerned with culture and other institutions of our broad society.

-- Not just blindly trying to make a profit at any and all cost -- damn the consequences -- but certainly not operating to be loved.

-- Willing and able to defend ourselves against misunderstandings or attacks, whether from malevolence or simple ignorance.

-- And successful in presenting our belief in abundant energy and economic growth as the way to solve social problems.

The nation may not always agree, but it definitely does respect our opinions. In summary then:

-- Mobil's image has greatly improved since the Sixties among the general public and with key target groups, including journalists and government officials.

-- Mobil is now recognized as an outspoken, responsible company with a high level of visibility and, very importantly, high credibility.

-- Mobil has succeeded in reaching and influencing opinion leaders.

-- Mobil has sparked public debate on many issues important to us.

-- And Mobil has provided the public with an alternative source of information on major national issues.

# # #

Excerpts from remarks by
RAWLEIGH WARNER, JR.
Chairman,
Mobil Oil Corporation

(1)
before
ECONOMIC CLUB OF DETROIT
Detroit, Michigan
March 5, 1973

(2)
42nd Annual Convention
of the
EDISON ELECTRIC INSTITUTE
New York, N.Y.
June 3, 1974

(3)
Upon receiving the
Alumni Association Award
Graduate School of Business
COLUMBIA UNIVERSITY
New York, N.Y.
April 26, 1978

(1)

As you hardly need reminding, American industry and indeed all of our institutions including especially government have grown larger and more complex in recent years. News sources have become more prolific, communications have become instantaneous, and issues have become more public. One result of all this is to make it increasingly difficult for the average citizen to understand issues of public policy in any great depth. This seems to be particularly true when technology or economics is involved, and even truer when both are involved.

If we in business are to retain our franchises, we had better recognize that this situation places a special obligation on us to share our particular knowledge with the public so that it may understand these complex issues.

The issues swirling around the oil industry today with respect to adequacy, security, and cost of supply seem to be of just such a nature. They are caused largely by the fact that this country is passing from a watershed characterized by ample, cheap, and seemingly endless energy supplies to one characterized by expensive and limited supply and actual shortages. The transition has been accelerated by the growth in demand, which has often been quite sharp and, of course, on a larger base each year.

As we move from the old era to the new, our conduct both within our boundaries and among our worldwide trading partners must change to reflect the changing conditions. It is difficult enough for the average person to see and comprehend the changes taking place. It is especially difficult to see and understand these forces at a time when emotional issues mask the greater issues forcing the change....

[As to what Mobil Oil is doing to explain complex subjects and help people make the decisions that will best serve the country as a whole...] we are carrying to the American people issues of public policy relating to our business of supplying energy. I am under no delusion that Mobil is the only company, or even the only oil company, engaging in such a dialogue. Nor do I maintain that we are necessarily doing a better job of it than anyone else. Mobil's program started because about two years ago some of us in the company decided we had views on some topical subjects that we should communicate to the public.

How do we go about it?

We make speeches, which we sometimes print and distribute. We try to engage politicians, reporters, editors, and publishers in dialogues, and we meet with people in television and radio. We distribute a number of television film clips each year, running about a minute to a minute and a half each, to 100 TV stations across the country, and we reach several hundred radio stations every month with recorded interviews of about three minutes each. We also use spot advertisements on radio.

One of the most effective ways we have found, however -- at least in New York and, I suspect, elsewhere as well -- is to buy advertising space. We have found it totally ineffective to rely on letters to the editor to rebut even the most misinformed reporting. No letter can compete in timeliness or impact with an adverse headline, no matter the retraction later made. Even news releases are of limited effectiveness.

Specifically, we publish a quarter-page advertisement every Thursday, year-round, on the page opposite the editorial page of The New York Times -- called, as you might surmise, the op-ed page. The space the Times has made available to advertisers in that part of the paper is the only advertisement appearing on those two facing pages. Thus it has high visibility. The space is large enough for essay-type ads and is an integral part of an editorial section that is "must" reading for opinion leaders, policy-makers, educators, journalists, legislators, business executives, and intellectuals. Our messages there are often more in the nature of paid editorials than advertisements....

We have taken the offensive -- but tried not to be offensive in doing it -- on such subjects as the energy crisis, the need to conserve energy and ways to do it, the role of profits, the need for public transportation, capital formation, the need for national energy policies, business as a catalyst of change, and...the costs

of controlling automotive emissions. We are relying on facts and persuasive presentation to give people a true picture of some of the options open to them and the order of magnitude of the costs involved. Some of these ads, too, have been published in other papers as well.

I am glad to say the response has been strong and generally favorable, though we do get denounced for some of them in letters to the editor -- which at least shows people are reading them. We have distributed thousands of reprints, and will be glad to give copies to any of you who request them.

I would be considerably less than honest if I did not say that we have our differences of opinion with the editorial policies of The New York Times. At the same time, however, that paper has made a forum available in the form of paid space in which we can express our opinions. And the Times' readership encompasses some important publics.

I would urge that you and businessmen across the country try to persuade your local newspapers to make similar space available -- and, whenever they do, that you utilize that space to try to give the American people the sort of information they need if they are to make intelligent choices in the realm of public policy. In my view, we in business must reach the opinion leaders in our communities before we can hope to have appreciable impact on the general public....

You will not, of course, achieve believability overnight or automatically. I myself like to think that Mobil began to change -- and to improve -- the public's impression of it seven or eight years ago, when we changed our logotype and spent a great deal of money to devise what we believe is a more attractive service station, and, among other things, conducted a nationwide advertising campaign on safety with the theme "We Want You to Live." I suppose I could catalog other activities, such as our support for public broadcasting. The point I am making is that in the last analysis a company will be judged by its actions, the persuasiveness of its ads and other communications, its willingness to listen to both sides of questions, and the extent to which it involves itself in the mainstream of life.

In Mobil's case, the response we have been getting leads us to conclude that that segment of the public which exerts impact on decision-making is increasingly reading what we have to say and judging us both on our logic and on our record, with generally favorable results....

One reason we think our advertisements, along with those of other oil companies, may be having some effect is that several Congressmen and Senators have recently tried to inhibit us. We believe

The Wall Street Journal was close to the target when it said, "Indeed, the reason their critics are rushing to have them gagged is that the oil companies have been making legitimate arguments worthy of being heard."

...That brings me to the biggest roadblock we have encountered -- the refusal of national television networks to sell us time in which to state our viewpoints on matters of great public import.

When the energy crisis hit full-blown last October, there were very few reporters in any media anywhere in the country, outside of oil-producing areas and the oil trade press, who knew much about oil. This was particularly true of commercial television, and seems still to be true. As a result, we have a very difficult communications problem, and we recognize that. The energy crisis is complex, both in its origins and in its manifestations. The TV networks, by their very nature, seldom seem able to do justice to such a complex issue.... While we are not accusing the networks of bias in their reporting, we nevertheless feel that their structural deficiences [limited air time, costs that restrict TV news' responsiveness, the "star" system as part of the quest for ratings, lack of specialist reporters for business or energy, and the nature of television as visual entertainment] have combined to make much of their coverage of oil news inaccurate and misleading.... [So] Mobil has sought to buy air time for commercials that would convey our point of view -- commercials that would deal in ideas rather than in products. But networks have refused to sell us time for many of the commercials we have submitted. Their position was pretty well summed up in a letter of February 27, 1973, from the law department of the Columbia Broadcasting System to a vice president of Mobil, from which I quote: "...it is the general policy of CBS to sell time only for the promotion of goods and services, not for the presentation of points of view on controversial issues of public importance. CBS has adopted this policy because it believes that the public will best be served if important public issues are presented in formats determined by broadcast journalists...."

I have these comments to make on that.

First, this country was founded in controversy -- hard, openly expressed controversy -- and it has remained free and democratic through the continuing clash of opinion and of value patterns.

Second, if the networks dedicate themselves almost exclusively to merchandising products, via the entertainment route, they may raise serious questions as to whether what they merchandise as news is actually just entertainment.

Third, today's energy crisis is controversial largely because the media have helped make it controversial by printing and broadcasting material so inaccurate that anyone with any knowledge of our industry would have to disagree with it.

When as powerful and pervasive a medium as television will not sell time for controversial issues, it seems to me our country has reached a rather critical juncture. How can a democracy operate effectively without broad public access to clashing points of view?

It is worth recalling what the U.S. Supreme Court said in 1969, in what is known as the Red Lion case: "It is the right of viewers and listeners, not the right of the broadcasters, which is paramount. It is the purpose of the First Amendment to preserve an uninhibited marketplace of ideas in which truth will ultimately prevail, rather than to countenance the monopolization of that market, whether it be by the Government itself or by a private licensee. It is the right of the public to receive suitable access to social, political, esthetic, moral, and other ideas and experiences which is crucial here."

The real issue seems to be whether the commercial networks should have total control over what is broadcast to the American people. Since network broadcasting is among the most concentrated of U.S. profit-making industries, it would appear that our country may be facing a danger of monopoly censorship.

I hope you realize how reluctant we in Mobil are to adopt any posture that would appear to place us in an adversary position. We would much rather just live and let live. But we have concluded that we have no alternative to standing up for what we believe to be right. It is a dreadful set of circumstances at which we have arrived. What we're battling for is something at least approaching fair treatment in a medium that seems to be the main source of news for the vast majority of the public, yet one that seemingly has decided that in order to be successful, it must concentrate more heavily on showmanship than on presenting news in any depth....

I hope nothing I have said here will be construed as ignorance or insensitivity on my part toward the contributions a free press has made throughout our country's history. Quite the contrary. We could not have remained a free people without it. Freedom of the press is clearly an essential ingredient of a democratic society -- essential not only to the press itself, but to all of us. I submit, however, that it is inseparably linked to freedom of speech, and that both are in turn linked to a free economy.

Unlike some politicians, I am urging not less but more free speech, and for everyone -- including most importantly those whose views some of us may find totally abhorrent. I would hope that those who write and speak the most about freedom of the press will come to comprehend that if they help to destroy our free economy, no matter how unwittingly, it could be only a matter of time before they lost their own freedom. I do not know which of our freedoms might be the first to go, but I do know that once we lose any one of them -- whether free speech, free press, or our free economy -- the others are apt soon to follow.

(3)

Corporations, like people, tend to develop their own individualities over the years. Mobil has long felt that it should contribute to appropriate causes and should endeavor to be a good citizen, in every sense of the word, in the communities in which it operates....

...Our company has felt it right and proper to support more aggressively what are loosely called cultural activities.... It seems to me that as any society grows more mature -- and ours is more than 200 years old -- the populace becomes increasingly interested in cultural activities, both as direct participants and as spectators. Thus what we in Mobil have done in this respect in recent years has constituted a recognition of this growing interest on the part of the public.

While we lend support to art and to artists, as well as to museums and other entities, the cultural activity with which we seem to be most closely identified among the populace is our support of public broadcasting -- most particularly, Masterpiece Theatre. Certainly this has brought us more mail from all across the nation, and more laudatory mail, than anything else in which we are engaged.

In this connection, I might mention that Mobil has from the outset of this effort been committed to building and strengthening public television. As I think the record will show, we have sought not only to underwrite programs of the first order of quality, such as Upstairs, Downstairs, but also to utilize our own corporate resources and skills to build a wider audience for public broadcasting. The promotion we put behind such series supports public television as an institution and, we think, increases contributions to that medium from other sources, including individuals....

In sketching what we do to strengthen both education and cultural activities, I would not want to give the impression that it represents unalloyed altruism. Rather, and I do not want to make too fine a point of this, it reflects our recognition of the fact that as a private business we enjoy no divine right of existence. We exist within a society, and our very right to exist stems from our value and utility to that society. To the extent that we are able to enrich our society and to preserve and enhance the best of its values, we help create a better environment in which to do business.

We believe people today want to know more about a company than just the quality of its goods and services. Mobil interfaces with people in a large number of ways -- as a prospective and actual employer, as a purchaser of many goods and services, as a supplier, as an investment, as a force in American society -- and we are convinced that people want to know something of the beliefs and value patterns of the individuals who run large businesses. We in Mobil have striven to present our own beliefs and value patterns not only in what we do with respect to such spheres as education and cultural activities, but also in what we say in paid advertisements that are sometimes called advocacy advertising....

As anyone knows who has followed our advocacy advertising and our other external communications, we enjoy being an active participant in many arenas, and these two -- education and cultural activities -- are important to us and in many ways are as rewarding as any in which we have involved ourselves.

I might add, with further reference to our advocacy advertising, that we believe our outspoken support of the American system of democratic capitalism is all of a piece with our support of higher education and cultural programs. I am convinced that if our economic system is destroyed or fatally weakened by the relatively small but highly articulate elitists who seem bent on doing just that, whether from ignorance or for whatever reason, then our democratic society and our cultural institutions -- including higher education -- will be imperiled.

# # #

Evolution of Mobil's Public Affairs Programs, 1970-81

INTRODUCTION

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noteworthy, especially if you have not had the opportunity to directly experience all the years of all these programs, for we have included representative samples of some local or specialized areas.

Since we will be dealing with some long out-of-date events from a dozen years that involved major dislocations in supply, hostile Federal Administrations, and a climate in which politicians inflamed public doubts about our industry and company, we begin by recapitulating with a chronology since 1970. We break the entire period into five time frames -- before, during and after the 1973-74 oil embargo, the Iranian crisis, and since. Individual chronology sections may include materials documenting some points of the time periods, but most supporting material is elsewhere in the volume, and is cross-referenced. Together, the sections review what happened in the world and nation, and what Mobil Public Affairs attempted and accomplished in response to these events, or frequently in anticipation of them.

The second part of this volume organizes our activities by the publics we address -- opinion leaders (the media, federal and state officials, and others), the general public, the investment community, our own employees, and foreign governments. Here we consider not the year-by-year programs, but the overall impact they have had -- and this is substantial. Where possible we include polls, surveys, and other systematic assessments of our effectiveness -- for example, the survey showing that "Observations" readers have been influenced toward Mobil's opinions on several important energy issues where non-readers have continued to hold views less favorable to us. Of necessity, other materials are

descriptive -- a study, for instance, correlating the substantial change in The New York Times editorials over the years toward the very positions we have argued (though, of course, we can't prove a direct relationship since so many other factors affect an editorial writer). Some materials are narrative, such as a case study of how Mobil's Government Relations and Public Relations led the industry fight against divestiture proposals in the mid-1970s -- a signal success. Still other materials are examples -- for example, what the media actually said about Mobil, or what views are held by other opinion leaders. And some materials are simply anecdotal, yet illustrative -- to mention one example not cited elsewhere, the Mobil executive who had three separate seat companions on a recent trip to Indonesia; all three volunteered complimentary remarks about our Op-Ed ads, and wondered why other oil companies weren't doing the same. In the wide variety of materials, you will find even cartoons, presented as illustrative of the thesis that "Mobil" has become synonymous with "corporate good works".

The third and final portion of this volume describes and presents some of the main themes we have argued over the years.

Throughout, of course, you'll find some of the high points -- for example, in 1975, Advertising Age, the "bible" of the ad industry, named Mr. Warner as "Adman of the Year." Said Ad Age:

> "Mr. Warner was selected as representative of a company whose shoot-from-the-hip, gutsy 'idea' advertising has added a new dimension to corporate advertising during a period of unprecedented attacks by government, the media and consumer advocates

I. INTERPRETIVE CHRONOLOGY

A.) Before the Arab Oil Embargo, 1970-73

Background

As the decade of the 1970s opened, the U.S. was little concerned for its future energy supplies. Throughout the '60s, oil imports equaled about 20% of demand, and the overriding concern was the threat of a flood of cheap oil. Oil imports were restricted by a mandatory program, while prorationing in Texas and other states maintained spare production capacity and a higher U.S. price.

Natural gas prices remained regulated by the Federal Power Commission in the interstate market at levels far below the energy equivalent of domestic or imported oil prices. Yet the national pipeline network continued to grow and expand while gas distribution companies aggressively sought new customers.

The decline in coal's contribution to U.S. energy was accelerating in response to a new national concern with air quality, but nuclear power held the clear promise for the long-term future, and in the interim low-sulfur oil filled the gap for electric utilities.

The memory was still fresh that America could protect itself and aid its allies when oil supplies were disrupted, as during the June 1967 Arab-Israeli war. The real concern was how production from the 1968 discovery of oil on the Alaskan North Slope could be absorbed into the American market.

Then came 1970, a bad year for the U.S. petroleum industry. A slowdown in leasing resulting from public and media reaction to the Santa Barbara oil spill of January 1969 began to have its impact. Tax reform eliminated most percentage depletion tax allowances for oil. The first of many lengthy regulatory and court proceedings blocked construction of the Alaskan Pipeline. Construction of all sorts of energy facilities became bogged down in lengthy "environmental impact" statements and proceedings, which also compounded the now mushrooming licensing difficulties of the nuclear industry. Amendments to the Clean Air Act became law, setting the stage for added gasoline demand -- a result of the temporary and inefficient redesign imposed on automobile producers and a prelude to the longer-term switch to lead-free gasoline.

In 1971, the federal government imposed emergency price freezes and controls on the entire U.S. economy, effectively limiting the U.S. petroleum industry's ability to develop new supplies -- ironically just months after the first signal that OPEC had come of age. In February, the Tehran Agreement imposed posted price increases on Persian Gulf oils of up to 25%, bringing most to over $2 a barrel; in April, the Tripoli Agreement secured almost another dollar per barrel for Libya.

By the winter of 1972-73, a substantial gap emerged between controlled interstate natural gas prices and free-market intrastate gas, reinforcing the shift of supplies away from transcontinental pipelines and creating sporadic shortages in several areas of the U.S.

As 1973 unfolded, most producing nations were climbing aboard the bandwagon started by Libya's initial acquisition of ownership in its oil-producing concessions. By June, facing strongly increasing oil demands (U.S. oil imports increased by a fifth in 1972 and another third in 1973, raising the import percentage to 36% of supply), OPEC was able to impose yet another price increase, despite the fact that the Teheran Agreement was supposed to last five years. Meanwhile, U.S. price controls on domestic oil became more and more complex. In an attempt to yield to pressures for more domestic incentive, the concepts of "old" and "new" oil were created. And the U.S. replaced mandatory ceilings on the volume of imported oil with a fee on imports.

On the eve of the embargo, national energy policy was in total disarray and largely counterproductive. With few exceptions, the public, government, and the media did not have the basic understanding necessary to interpret what was happening and what would be happening.

Mobil response

By 1970, Mobil was well aware that the U.S. was heading for a severe energy crunch, but was unable to get this message across in the newspapers and on television. Lack of understanding of energy issues was made worse by the overall hostile attitude of the media to business in general and oil companies in particular.

The Op-Ed program was Mobil's prime response for dealing with emerging issues in a way that would assure control of the context

of the message. At about the same time as Op-Eds began (sporadically in 1970-71, weekly beginning in 1972), Mobil also made the decision to provide large-scale funding for quality programs on public television, starting with a $1 million contribution (at that time the largest from any company) and providing a new dimension of quality on the airwaves. These two efforts worked together: Op-Ed ads were sometimes used to promote television programs (see III-S), and the television programs created a climate of greater receptivity for the Op-Eds.

In addition, Mobil set about improving its public image by promoting selected philanthropies such as the United Negro College Fund and the Urban Coalition, and by supporting vocational education, jobs for veterans, and similar causes (see III-R). After these and other, primarily low-key themes in the early days, the Op-Ed voice grew stronger, sharper when necessary, but still stylish, in 1972. Op-Eds in the pre-embargo period were primarily concerned with these themes:

Mass transit: Our initial ad (Attachment 1), in the fall of 1970 was designed to draw attention to Mobil through advocacy of a cause which an oil company would not be expected to support. Mobil took the lead among oil companies in calling for a National Master Transportation Program. Such a program not only would provide for the highways the country needs, but it would also make possible adequate public transportation. This was an unusual view for an oil company but, as we pointed out when we announced our position in that first ad, "we don't believe the gasoline consumed by

a car idling in a traffic jam...is the best possible use of America's limited petroleum resources."

The energy situation: Ads (see III-I) dealt with the need for coherent U.S. energy planning, the loss of incentives for discovery of new natural gas due to unrealistic pricing and the dangers of over-use that resulted from these prices, the need to get Alaskan oil to U.S. markets, and the need for additional offshore drilling -- all clear responses to issues already impending, though scarcely perceived. These made 1972 a year of Op-Ed firsts: calling for a national energy policy, warning of a natural gas shortage, and linking economic and energy growth to solve social problems.

Growth: We addressed the need for continued economic growth, for which more energy would be needed, as the only way to provide higher living standards for poor people, both in the U.S. and around the world (see III-J). We believed this emphasis was extremely important in a decade when thought patterns were unduly influenced by the Club of Rome's Limits to Growth-type thinking.

Environment: As part of our effort to get greater U.S. energy growth, we took issue with the extremists of the environmental movement who insisted that cleaning up the environment was an absolute priority, without considering the need for energy/environment tradeoffs (see III-F).

Conservation: Knowing that the U.S. had a serious energy problem, we ran several ads urging greater conservation of energy, particularly gasoline (see III-C).

Capitalism: Our ads drew attention to the value of the free enterprise system in promoting economic growth. In a period of skepticism about business, we explained the role of profits in generating this growth (see III-K, L, M).

One Op-Ed that deserves special mention was "The U.S. Stake in Middle East Peace" which in June 1973 argued the need for a peaceful settlement of outstanding Middle East issues (see III-Q/Attachment 1). This resulted in a huge volume of anti-Mobil mail, demanding that we spell out what we thought was an "equitable" solution of the Middle Eastern situation. Sheik Yamani, however, was so impressed with the ad that he showed it to King Faisal, who asked Yamani to convey his personal thanks to the Mobil Board. The ad demonstrated Mobil's courage and, in this case, foresight, since war and the resulting embargo of Arab oil to the United States occurred soon afterward. Read today in the light of what has happened in the Middle East in the intervening years, the ad seems extraordinarily moderate and even-handed.

In all of these ads, we concentrated on reaching opinion leaders in government, the media, and elsewhere, as the key to changing public opinion as rapidly as possible.

During the pre-embargo period, our Government Relations people in Washington focused on a variety of issues, including natural gas pricing, import controls, environmental restrictions, and taxation. The company continued to argue against further concessions under the import controls program, particularly for small refiners which already enjoyed advantages over the majors. But the Administration was sympathetic to the oil industry, and oil industry representatives generally had plenty of opportunity to communicate with officials and members of Congress. Some issues were resolved without rancor.

This comparative calm was felt in Mobil's media relations program, where a small press relations staff handled routine queries. One major issue at the time was Mobil's operations in South Africa, where we were criticized by church groups, but the company mounted a vigorous defense through exploratory meetings with church leaders and a special report to all stockholders on our operations in that country.

(I-A/Attachment 1)

America has the world's best highways And the world's worst mass transit.

We hope this ad moves people...

In recent years the United States has developed a really superb highway system. It's been built with tax revenues earmarked specifically for road building.

But the highway construction boom has been accompanied by a mass transit bust. Train and bus travel in this country, with few exceptions, is decrepit. The air traveler suffers increasing indignities despite bigger, faster planes.

Greater New York is a typical example. You can depend on commuting to and from Manhattan—but only to be undependable and slow. On public transport, the 25 miles to Westfield, N.J. takes 75 minutes at an average speed of 20 miles per hour. The 33 miles to Stamford, Conn. takes 60 minutes at 33 mph. The 26 miles to Hicksville, L.I. takes 55 minutes at 28 mph. When you're on time.

You have to be a stoic with stamina to use public ground transportation for a trip beyond the commuting range. Fly to a nearby city? You can hardly get at our congested air terminals, either by land or air. The ride to or from the airport often takes longer than the flight.

Mass transit seems to work better abroad. Americans are agreeably impressed by the fast, comfortable, and attractive subways in foreign cities. Intercity trains in other countries make ours look pitiful. Japan's high-speed Tokaido line carries more than 200,000 passengers a day. Clean, comfortable French, German, Italian, and British trains regularly attain speeds over 100 mph. European railroads are already planning or building expresses that will do better than 150 mph.

Yet, in the United States, new mass transit systems are for the most part still in the wild blue yonder.

Providing for our future transportation needs will require very large expenditures. We believe there's an urgent need for legislators to reexamine the procedures used to generate and expend transportation revenues. Such a review may yield the conclusion that special earmarked funds are no longer the best approach.

In weighing priorities, no decision-maker can ignore the increasing congestion on those fine highways of ours, especially in and around the great urban centers. But more and better mass transit could stop traffic jams before they start. Just one rail line has triple the people-moving capacity of a three-lane superhighway.

It costs less—in energy consumption and in money—to move people via mass transit than on highways. Thus mass transit means less air pollution.

It also means conservation. Whether the energy comes from gasoline for cars, or fuel oil, natural gas, or coal for electric power plants, it's derived from a diminishing natural resource. So we think all forms of transportation should be brought into a national plan for safe, rapid, economical ways of moving people—consistent with the wisest use of our energy resources.

While Mobil sells fuels and lubricants, we don't believe the gasoline consumed by a car idling in a traffic jam (carrying a single passenger, probably) is the best possible use of America's limited petroleum resources. Our products ought to help more people get where they want to go.

To us, that means a green light for mass transit . . . soon.

Mobil

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It also means conservation. Whether the energy comes from gasoline for cars, or fuel oil, natural gas, or coal for electric power plants, it's derived from a diminishing natural resource. So we think *all* forms of transportation should be brought into a national plan for safe, rapid, economical ways of moving people—consistent with the wisest use of our energy resources.

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Mobil®

This ad appeared in the New York Times on October 19, 1970

© Mobil Oil Corporation

B.) The Embargo, 1973-74

On October 8, 1973, war broke out between Israel and several of its Arab neighbors, and the U.S. rushed additional military aid to Israel. Arab oil-producing nations retaliated by placing an embargo on shipments to the U.S. and several other nations, and OPEC unilaterally raised posted prices nearly 70% (to over $5 a barrel). The exporters, sensing the companies' ability to rearrange supplies, quickly shifted to curtailing production, so that nearly 10% of the free world's oil supplies were removed from international trade during the winter of 1973-74. By year-end, posted prices were increased again, to more than $9 per barrel. By March 1974, the embargo was lifted and production restored. But the era of ample low-cost energy had ended, and a permanent change in how nations manage energy supply and consumption had been wrought. The effects would continue to be felt for a long time, and throughout the economic systems of the western world. Actions taken in the U.S. in the heat of the moment persisted for years. Permanent damage was done to the credibility of the energy industries because of the lack of understanding of the issues by the media and government staffs.

Specific actions started with the Administration's hastily contrived "Project Independence," an attempt to totally end imports by 1980. It was proposed in November 1973, the month when the Emergency Petroleum Allocation Act was signed into law -- a law that plagued the industry with price and allocation controls at all levels until its expiration (and amendments to it) in

September 1981. Government attempts to reduce consumption by cutting speed limits, eliminating Sunday sales of gasoline, allocating shipments, and pressuring major oil companies into husbanding inventories exacerbated the hysteria and the shortage, even though (in retrospect) petroleum supplies would have been adequate for demand for that length of curtailment.

Mobil response

In this situation, Mobil ads

-- Continued to stress the need for improved U.S. energy production and for additional conservation (see III-G and I).
-- Increased the emphasis on the need for profits, at a time when the industry was accused of making "obscene profits" during the embargo, and spoke out against accusations that Mobil was cheating its customers (see III-M, N).
-- Explained some reasons for the shortages (e.g. that motorists were carrying much more gasoline around in their tanks, thus contributing to the difficulty of getting more).

One useful new ad format was successfully used for the first time. This was "Musings of an oil person," which enabled us to address a number of topics in one ad, in a chatty readable style (Attachment 1).

During the immediate embargo period, however, Mobil Public Affairs was essentially on the defensive, as members of Congress and the press accused the oil companies of rigging the shortage, and Senator Henry Jackson castigated the heads of the seven largest oil companies who appeared before his Permanent Subcommittee on

Investigations and insulted them on national television, while labeling oil industry profits "obscene".

Our response was to accelerate reorganization of the Public Affairs effort. This included appointing a Vice Chairman for Public Affairs, and a policy coordinator whose responsibility it was to see that the company spoke with a single voice on all issues. The company also further geared up for an expanded Media Relations effort, with visits by top executives to newspapers in key cities, coordinated with the American Petroleum Institute media program. Efforts were made to get company executives on television programs across the country, combating the negative image of the oil companies portrayed by that medium.

On the cultural front, the highlight of this period was Mobil's introduction in January 1974 of the Bellamy family to the American public on Upstairs, Downstairs, perhaps the best remembered of all Mobil's television productions. The show was eventually to add seven Emmy awards to those "Masterpiece Theatre" had already reaped (see III-S).

(I-B/Attachment 1)

© 1974 Mobil Oil Corporation.

Musings of an oil person...

Wonder if oil company advertising isn't risking indecent overexposure these days. There's so much oil on the tube and in print. Gulf, Shell and Texaco all ran full-pagers on the same day last week in the Times. Mobil's on the Op-Ed page every Thursday. Why do we all do it? Some critics think the ads show the companies are conspiring to brainwash the public. Others think the advertising deluge proves we can't do anything right, not even conspire. But an oil company has to find some way of speaking its mind and letting the public know what's going on, especially now when oil companies are accused of being secretive. Have to take risk of moving Tom Wicker to nausea over the "...pious, self-serving, devious, mealy-mouthed, self-exculpating, holier-than-thou, positively sickening oil company advertisements in which these international behemoths depict themselves as poverty-stricken paragons of virtue embattled against a greedy and ignorant world." Tom turns a nice phrase, but doesn't he know we're frustrated in trying to get information to the public? Try to buy time on TV to say something substantive and the networks clobber you with the fairness doctrine. Same with radio. Several congressmen want the FTC to require a company to substantiate its idea advertising, just as if an idea were like a new toothpaste. Why don't they exhume Madison and make him substantiate the Bill of Rights? Sure, we can stick to print media to tell our story. But newspapers and magazines frequently don't understand the complexities of our industry. Only a few have oil specialists. And how many deadly news releases can we send them before they scream for mercy? Much better to use TV to try to reach the millions whose opinions about oil are swayed by what Cronkite, Chancellor and Reasoner say every evening. Briefly! In 30 seconds they can suggest enough wrongdoing that a year of full-page explanations by us won't set straight. Hate to be on the defensive all the time. Arm our top management people with facts and get them on TV panels and talk shows. They still look drab next to a politician making some wild allegation against us because he's running for something. Does he have to run on our backs? Sure he does--as long as there are gas lines. What do we tell the guy who's boiling mad at us--in our station or some other company's--after waiting two hours for the privilege of paying $1.10 for two gallons of gas? Are we going to tell him he's been wasting energy for years? No way. Tell him to lay off those jackrabbit starts? He'll find that out for himself. That Detroit's naughty for building big cars, that we shouldn't have built all those superhighways, that we're sorry we gave away all that glassware? Forget it. Should we remind him we've been warning for years that the energy crisis was coming? He'll mow down the pumps and who would blame him. No, have to focus on the positive things we can do. Tell him we're recycling the money he pays at the pump right back into oil-finding offshore, Alaska, anywhere. Into more refinery capacity. Into oil shale, synthetic fuels from coal, tar sands, far-out processes in the lab. Dammit, we're a can-do company in a can-do country. Give us a few years and we'll make gas lines just a quaint recollection of the mid-70s. In the meantime, try to reason with Washington against counter-productive laws and regulations. Fight the two-times-two-equals-five logicians who think the same outfit that brings you the U.S. Mail can find oil three miles under the ocean bottom. Give people the facts. Give them genuine information. Speak out. Persuade them to listen. Never bore them. If at first we don't succeed, bust a gut trying again. No other way. Or we all end up working for the government.

Mobil®

This ad appeared in the New York Times on February 28, 1974.

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A.) Before the Arab Oil Embargo, 1970-73

Background

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Natural gas prices remained regulated by the Federal Power Commission in the interstate market at levels far below the energy equivalent of domestic or imported oil prices. Yet the national pipeline network continued to grow and expand while gas distribution companies aggressively sought new customers.

The decline in coal's contribution to U.S. energy was accelerating in response to a new national concern with air quality, but nuclear power held the clear promise for the long-term future, and in the interim low-sulfur oil filled the gap for electric utilities.

The memory was still fresh that America could protect itself and aid its allies when oil supplies were disrupted, as during the June 1967 Arab-Israeli war. The real concern was how production from the 1968 discovery of oil on the Alaskan North Slope could be absorbed into the American market.

Then came 1970, a bad year for the U.S. petroleum industry. A slowdown in leasing resulting from public and media reaction to the Santa Barbara oil spill of January 1969 began to have its impact. Tax reform eliminated most percentage depletion tax allowances for oil. The first of many lengthy regulatory and court proceedings blocked construction of the Alaskan Pipeline. Construction of all sorts of energy facilities became bogged down in lengthy "environmental impact" statements and proceedings, which also compounded the now mushrooming licensing difficulties of the nuclear industry. Amendments to the Clean Air Act became law, setting the stage for added gasoline demand -- a result of the temporary and inefficient redesign imposed on automobile producers and a prelude to the longer-term switch to lead-free gasoline.

In 1971, the federal government imposed emergency price freezes and controls on the entire U.S. economy, effectively limiting the U.S. petroleum industry's ability to develop new supplies -- ironically just months after the first signal that OPEC had come of age. In February, the Teheran Agreement imposed posted price increases on Persian Gulf oils of up to 25%, bringing most to over $2 a barrel; in April, the Tripoli Agreement secured almost another dollar per barrel for Libya.

By the winter of 1972-73, a substantial gap emerged between controlled interstate natural gas prices and free-market intrastate gas, reinforcing the shift of supplies away from transcontinental pipelines and creating sporadic shortages in several areas of the U.S.

As 1973 unfolded, most producing nations were climbing aboard the bandwagon started by Libya's initial acquisition of ownership in its oil-producing concessions. By June, facing strongly increasing oil demands (U.S. oil imports increased by a fifth in 1972 and another third in 1973, raising the import percentage to 36% of supply), OPEC was able to impose yet another price increase, despite the fact that the Teheran Agreement was supposed to last five years. Meanwhile, U.S. price controls on domestic oil became more and more complex. In an attempt to yield to pressures for more domestic incentive, the concepts of "old" and "new" oil were created. And the U.S. replaced mandatory ceilings on the volume of imported oil with a fee on imports.

On the eve of the embargo, national energy policy was in total disarray and largely counterproductive. With few exceptions, the public, government, and the media did not have the basic understanding necessary to interpret what was happening and what would be happening.

Mobil response

By 1970, Mobil was well aware that the U.S. was heading for a severe energy crunch, but was unable to get this message across in the newspapers and on television. Lack of understanding of energy issues was made worse by the overall hostile attitude of the media to business in general and oil companies in particular.

The Op-Ed program was Mobil's prime response for dealing with emerging issues in a way that would assure control of the context

of the message. At about the same time as Op-Eds began (sporadically in 1970-71, weekly beginning in 1972), Mobil also made the decision to provide large-scale funding for quality programs on public television, starting with a $1 million contribution (at that time the largest from any company) and providing a new dimension of quality on the airwaves. These two efforts worked together: Op-Ed ads were sometimes used to promote television programs (see III-S), and the television programs created a climate of greater receptivity for the Op-Eds.

In addition, Mobil set about improving its public image by promoting selected philanthropies such as the United Negro College Fund and the Urban Coalition, and by supporting vocational education, jobs for veterans, and similar causes (see III-R). After these and other, primarily low-key themes in the early days, the Op-Ed voice grew stronger, sharper when necessary, but still stylish, in 1972. Op-Eds in the pre-embargo period were primarily concerned with these themes:

Mass transit: Our initial ad (Attachment 1), in the fall of 1970 was designed to draw attention to Mobil through advocacy of a cause which an oil company would not be expected to support. Mobil took the lead among oil companies in calling for a National Master Transportation Program. Such a program not only would provide for the highways the country needs, but it would also make possible adequate public transportation. This was an unusual view for an oil company but, as we pointed out when we announced our position in that first ad, "we don't believe the gasoline consumed by

a car idling in a traffic jam...is the best possible use of America's limited petroleum resources."

The energy situation: Ads (see III-I) dealt with the need for coherent U.S. energy planning, the loss of incentives for discovery of new natural gas due to unrealistic pricing and the dangers of over-use that resulted from these prices, the need to get Alaskan oil to U.S. markets, and the need for additional offshore drilling -- all clear responses to issues already impending, though scarcely perceived. These made 1972 a year of Op-Ed firsts: calling for a national energy policy, warning of a natural gas shortage, and linking economic and energy growth to solve social problems.

Growth: We addressed the need for continued economic growth, for which more energy would be needed, as the only way to provide higher living standards for poor people, both in the U.S. and around the world (see III-J). We believed this emphasis was extremely important in a decade when thought patterns were unduly influenced by the Club of Rome's Limits to Growth-type thinking.

Environment: As part of our effort to get greater U.S. energy growth, we took issue with the extremists of the environmental movement who insisted that cleaning up the environment was an absolute priority, without considering the need for energy/environment tradeoffs (see III-F).

Conservation: Knowing that the U.S. had a serious energy problem, we ran several ads urging greater conservation of energy, particularly gasoline (see III-G).

Capitalism: Our ads drew attention to the value of the free enterprise system in promoting economic growth. In a period of skepticism about business, we explained the role of profits in generating this growth (see III-K, L, M).

One Op-Ed that deserves special mention was "The U.S. Stake in Middle East Peace" which in June 1973 argued the need for a peaceful settlement of outstanding Middle East issues (see III-Q/Attachment 1). This resulted in a huge volume of anti-Mobil mail, demanding that we spell out what we thought was an "equitable" solution of the Middle Eastern situation. Sheik Yamani, however, was so impressed with the ad that he showed it to King Faisal, who asked Yamani to convey his personal thanks to the Mobil Board. The ad demonstrated Mobil's courage and, in this case, foresight, since war and the resulting embargo of Arab oil to the United States occurred soon afterward. Read today in the light of what has happened in the Middle East in the intervening years, the ad seems extraordinarily moderate and even-handed.

In all of these ads, we concentrated on reaching opinion leaders in government, the media, and elsewhere, as the key to changing public opinion as rapidly as possible.

During the pre-embargo period, our Government Relations people in Washington focused on a variety of issues, including natural gas pricing, import controls, environmental restrictions, and taxation. The company continued to argue against further concessions under the Import Controls program, particularly for small refiners which already enjoyed advantages over the majors. But the Administration was sympathetic to the oil industry, and oil industry representatives generally had plenty of opportunity to communicate with officials and members of Congress. Some issues were resolved without rancor.

This comparative calm was felt in Mobil's media relations programs, where a small press relations staff handled routine queries. One major issue at the time was Mobil's operations in South Africa, where we were criticized by church groups, but the company mounted a vigorous defense through exploratory meetings with church leaders and a special report to all stockholders on our operations in that country.

(I-A/Attachment 1)

America has the world's best highways And the world's worst mass transit.

We hope this ad moves people...

In recent years the United States has developed a really superb highway system. It's been built with tax revenues earmarked specifically for road building.

But the highway construction boom has been accompanied by a mass transit bust. Train and bus travel in this country, with few exceptions, is decrepit. The air traveler suffers increasing indignities despite bigger, faster planes.

Greater New York is a typical example. You can depend on commuting to and from Manhattan—but only to be undependable and slow. On public transport, the 25 miles to Westfield, N.J. takes 75 minutes at an average speed of 20 miles per hour. The 33 miles to Stamford, Conn. takes 60 minutes at 33 mph. The 26 miles to Hicksville, L.I. takes 55 minutes at 28 mph. When you're on time.

You have to be a stoic with stamina to use public ground transportation for a trip beyond the commuting range. Fly to a nearby city? You can hardly get at our congested air terminals, either by land or air. The ride to or from the airport often takes longer than the flight.

Mass transit seems to work better abroad. Americans are agreeably impressed by the fast, comfortable, and attractive subways in foreign cities. Intercity trains in other countries make ours look pitiful. Japan's high-speed Tokaido line carries more than 200,000 passengers a day. Clean, comfortable French, German, Italian, and British trains regularly attain speeds over 100 mph. European railroads are already planning or building expresses that will do better than 150 mph.

Yet, in the United States, new mass transit systems are for the most part still in the wild blue yonder.

Providing for our future transportation needs will require very large expenditures. We believe there's an urgent need for legislators to reexamine the procedures used to generate and expend transportation revenues. Such a review may yield the conclusion that special earmarked funds are no longer the best approach.

In weighing priorities, no decision-maker can ignore the increasing congestion on those fine highways of ours, especially in and around the great urban centers. But more and better mass transit could stop traffic jams before they start. Just one rail line has triple the people-moving capacity of a three-lane superhighway.

It costs less—in energy consumption and in money—to move people via mass transit than on highways. Thus mass transit means less air pollution.

It also means conservation. Whether the energy comes from gasoline for cars, or fuel oil, natural gas, or coal for electric power plants, it's derived from a diminishing natural resource. So we think *all* forms of transportation should be brought into a national plan for safe, rapid, economical ways of moving people—consistent with the wisest use of our energy resources.

While Mobil sells fuels and lubricants, we don't believe the gasoline consumed by a car idling in a traffic jam (carrying a single passenger, probably) is the best possible use of America's limited petroleum resources. Our products ought to help more people get where they want to go.

To us, that means a green light for mass transit . . . soon.

Mobil®

This ad appeared in the New York Times on October 19, 1970

© Mobil Oil Corporation

B.) The Embargo, 1973-74

On October 8, 1973, war broke out between Israel and several of its Arab neighbors, and the U.S. rushed additional military aid to Israel. Arab oil-producing nations retaliated by placing an embargo on shipments to the U.S. and several other nations, and OPEC unilaterally raised posted prices nearly 70% (to over $5 a barrel). The exporters, sensing the companies' ability to rearrange supplies, quickly shifted to curtailing production, so that nearly 10% of the free world's oil supplies were removed from international trade during the winter of 1973-74. By year-end, posted prices were increased again, to more than $9 per barrel. By March 1974, the embargo was lifted and production restored. But the era of ample low-cost energy had ended, and a permanent change in how nations manage energy supply and consumption had been wrought. The effects would continue to be felt for a long time, and throughout the economic systems of the western world. Actions taken in the U.S. in the heat of the moment persisted for years. Permanent damage was done to the credibility of the energy industries because of the lack of understanding of the issues by the media and government staffs.

Specific actions started with the Administration's hastily contrived "Project Independence," an attempt to totally end imports by 1980. It was proposed in November 1973, the month when the Emergency Petroleum Allocation Act was signed into law -- a law that plagued the industry with price and allocation controls at all levels until its expiration (and amendments to it) in

September 1981. Government attempts to reduce consumption by cutting speed limits, eliminating Sunday sales of gasoline, allocating shipments, and pressuring major oil companies into husbanding inventories exacerbated the hysteria and the shortage, even though (in retrospect) petroleum supplies would have been adequate for demand for that length of curtailment.

Mobil response

In this situation, Mobil ads

-- Continued to stress the need for improved U.S. energy production and for additional conservation (see III-G and I).
-- Increased the emphasis on the need for profits, at a time when the industry was accused of making "obscene profits" during the embargo, and spoke out against accusations that Mobil was cheating its customers (see III-M, N).
-- Explained some reasons for the shortages (e.g. that motorists were carrying much more gasoline around in their tanks, thus contributing to the difficulty of getting more).

One useful new ad format was successfully used for the first time. This was "Musings of an oil person," which enabled us to address a number of topics in one ad, in a chatty readable style (Attachment 1).

During the immediate embargo period, however, Mobil Public Affairs was essentially on the defensive, as members of Congress and the press accused the oil companies of rigging the shortage, and Senator Henry Jackson castigated the heads of the seven largest oil companies who appeared before his Permanent Subcommittee on

Investigations and insulted them on national television, while labeling oil industry profits "obscene".

Our response was to accelerate reorganization of the Public Affairs effort. This included appointing a Vice Chairman for Public Affairs, and a policy coordinator whose responsibility it was to see that the company spoke with a single voice on all issues. The company also further geared up for an expanded Media Relations effort, with visits by top executives to newspapers in key cities, coordinated with the American Petroleum Institute media program. Efforts were made to get company executives on television programs across the country, combating the negative image of the oil companies portrayed by that medium.

On the cultural front, the highlight of this period was Mobil's introduction in January 1974 of the Bellamy family to the American public on Upstairs, Downstairs, perhaps the best remembered of all Mobil's television productions. The show was eventually to add seven Emmy awards to those "Masterpiece Theatre" had already reaped (see III-S).

(I-B/Attachment 1)

© 1974 Mobil Oil Corporation.

Musings of an oil person...

Wonder if oil company advertising isn't risking indecent overexposure these days. There's so much oil on the tube and in print. Gulf, Shell and Texaco all ran full-pagers on the same day last week in the Times. Mobil's on the Op-Ed page every Thursday. Why do we all do it? Some critics think the ads show the companies are conspiring to brainwash the public. Others think the advertising deluge proves we can't do anything right, not even conspire. But an oil company has to find some way of speaking its mind and letting the public know what's going on, especially now when oil companies are accused of being secretive. Have to take risk of moving Tom Wicker to nausea over the "...pious, self-serving, devious, mealy-mouthed, self-exculpating, holier-than-thou, positively sickening oil company advertisements in which these international behemoths depict themselves as poverty-stricken paragons of virtue embattled against a greedy and ignorant world." Tom turns a nice phrase, but doesn't he know we're frustrated in trying to get information to the public? Try to buy time on TV to say something substantive and the networks clobber you with the fairness doctrine. Same with radio. Several congressmen want the FTC to require a company to substantiate its idea advertising, just as if an idea were like a new toothpaste. Why don't they exhume Madison and make him substantiate the Bill of Rights? Sure, we can stick to print media to tell our story. But newspapers and magazines frequently don't understand the complexities of our industry. Only a few have oil specialists. And how many deadly news releases can we send them before they scream for mercy? Much better to use TV to try to reach the millions whose opinions about oil are swayed by what Cronkite, Chancellor and Reasoner say every evening. Briefly! In 30 seconds they can suggest enough wrongdoing that a year of full-page explanations by us won't set straight. Hate to be on the defensive all the time. Arm our top management people with facts and get them on TV panels and talk shows. They still look drab next to a politician making some wild allegation against us because he's running for something. Does he have to run on our backs? Sure he does--as long as there are gas lines. What do we tell the guy who's boiling mad at us--in our station or some other company's--after waiting two hours for the privilege of paying $1.10 for two gallons of gas? Are we going to tell him he's been wasting energy for years? No way. Tell him to lay off those jackrabbit starts? He'll find that out for himself. That Detroit's naughty for building big cars, that we shouldn't have built all those superhighways, that we're sorry we gave away all that glassware? Forget it. Should we remind him we've been warning for years that the energy crisis was coming? He'll mow down the pumps and who would blame him. No, have to focus on the positive things we can do. Tell him we're recycling the money he pays at the pump right back into oil-finding offshore, Alaska, anywhere. Into more refinery capacity. Into oil shale, synthetic fuels from coal, tar sands, far-out processes in the lab. Dammit, we're a can-do company in a can-do country. Give us a few years and we'll make gas lines just a quaint recollection of the mid-70s. In the meantime, try to reason with Washington against counter-productive laws and regulations. Fight the two-times-two-equals-five logicians who think the same outfit that brings you the U.S. Mail can find oil three miles under the ocean bottom. Give people the facts. Give them genuine information. Speak out. Persuade them to listen. Never bore them. If at first we don't succeed, bust a gut trying again. No other way. Or we all end up working for the government.

Mobil®

This ad appeared in the New York Times on February 28, 1974.

Evolution of Mobil's Public Affairs Programs 1970-81

Evolution of Mobil's Public Affairs Programs, 1970-81

INTRODUCTION

Mobil's Public Affairs programs have evolved around three basic premises as outlined by Rawleigh Warner, Jr., in 1970:

(1) build our reputation as an outspoken responsible company concerned about our energy future and major social issues;

(2) initiate debate on major public issues that concern us;

(3) broaden the spectrum of information and viewpoints available to the American people, to help them reach the conclusions necessary for sound public policy in a democratic society.

(Excerpts from statements by Mr. Warner more fully setting forth his original Public Affairs concept for Mobil, and outlining some major activities, follow immediately after this introductory section.)

Taken together with support for public television and other cultural institutions, these underlying themes of social responsibility and determined advocacy have given Mobil a unique position in America's social consciousness. The purpose of this volume is to provide an overview of how Mobil's Public Affairs programs have evolved -- becoming a part of American culture itself as well as part of the American dialogue on major public issues involving our company.

In this volume's review of more than a decade of Mobil's Public Affairs programs, we will survey the major directions, activities, and objectives. Some of these may be familiar to you, particularly the more prominent national programs. But some may be fresh and

noteworthy, especially if you have not had the opportunity to directly experience all the years of all these programs, for we have included representative samples of some local or specialized areas.

Since we will be dealing with some long out-of-date events from a dozen years that involved major dislocations in supply, hostile Federal Administrations, and a climate in which politicians inflamed public doubts about our industry and company, we begin by recapitulating with a chronology since 1970. We break the entire period into five time frames -- before, during and after the 1973-74 oil embargo, the Iranian crisis, and since. Individual chronology sections may include materials documenting some points of the time periods, but most supporting material is elsewhere in the volume, and is cross-referenced. Together, the sections review what happened in the world and nation, and what Mobil Public Affairs attempted and accomplished in response to these events, or frequently in anticipation of them.

The second part of this volume organizes our activities by the publics we address -- opinion leaders (the media, federal and state officials, and others), the general public, the investment community, our own employees, and foreign governments. Here we consider not the year-by-year programs, but the overall impact they have had -- and this is substantial. Where possible we include polls, surveys, and other systematic assessments of our effectiveness -- for example, the survey showing that "Observations" readers have been influenced toward Mobil's opinions on several important energy issues where non-readers have continued to hold views less favorable to us. Of necessity, other materials are

descriptive -- a study, for instance, correlating the substantial change in The New York Times editorials over the years toward the very positions we have argued (though, of course, we can't prove a direct relationship since so many other factors affect an editorial writer). Some materials are narrative, such as a case study of how Mobil's Government Relations and Public Relations led the industry fight against divestiture proposals in the mid-1970s -- a signal success. Still other materials are examples -- for example, what the media actually said about Mobil, or what views are held by other opinion leaders. And some materials are simply anecdotal, yet illustrative -- to mention one example not cited elsewhere, the Mobil executive who had three separate seat companions on a recent trip to Indonesia; all three volunteered complimentary remarks about our Op-Ed ads, and wondered why other oil companies weren't doing the same. In the wide variety of materials, you will find even cartoons, presented as illustrative of the thesis that "Mobil" has become synonymous with "corporate good works".

The third and final portion of this volume describes and presents some of the main themes we have argued over the years.

Throughout, of course, you'll find some of the high points -- for example, in 1975, Advertising Age, the "bible" of the ad industry, named Mr. Warner as "Adman of the Year." Said Ad Age:

> "Mr. Warner was selected as representative of a company whose shoot-from-the-hip, gutsy 'idea' advertising has added a new dimension to corporate advertising during a period of unprecedented attacks by government, the media and consumer advocates

(II-D/Attachment 1a)

MOBIL TV COMMERCIALS

YEAR	SUBJECT	TIME	PROGRAM
1974	Offshore Drilling	--	Network refused to run.
1975	High Cost of Exploration (North Sea) Hostile Environment for Production Supplies From Far Off Lands (Iran) Hostile Environment (Sumatra)	2 minutes	Mobil Showcase Presentations.
1976-77	American Album: 6 commercials celebrating American Spirit of Individual Enterprise.	3 minutes	Mobil Showcase Presentations.
	Issue and Information Series: 24 commercials cut down from other film projects.	30 seconds	Ran in NYC and Washington Metromedia Stations.
1978	Imagination Series: Portraits of individuals in Science and the Arts connecting the importance of imagination to Mobil activities.	90 seconds	Mobil Showcase Presentations. Syndicated to 50 major cities.
1979	Imagination 2: Incorporates portraits of Mobil employees in above.	2½ minutes	"

YEAR	SUBJECT	TIME	PROGRAM
1980	Mobil Information Center Commercials: Opinion -- ORC shows people have inflated idea of oil company profits. Election -- Urge people to register and vote. Nuclear -- More nuclear plants needed. Coal -- America has great untapped coal reserves; can save oil if government permits development. Conservation II -- Americans are conserving / Mobil refineries slash energy use. Masterpiece Theatre -- Promotion. Shrimp & Petroleum Festival -- Annual Louisiana Festival celebrate offshore oil/fishing coexistence. Profits -- Mobil's tax payments far exceed profits. Absolve -- Oil companies absolved by Justice Dept. of blame for '79 shortage. Conservation -- Conservation can't do whole job. Hope -- Great hope for domestic energy development if government acts.	60 seconds	Independent Network News -- 75 stations WNEW -- NY WJLA -- Washington ABC Affiliates Buffalo, NY ABC Affiliates KTTV -- Metromedia, LA

YEAR	SUBJECT	TIME	PROGRAM
1980 (Cont.)	Growth -- Support for Reagan program.		
	Placing 1979 Record Profits in Perspective.	60 seconds	Rejected by all major networks, raising criticism against networks. As a result, local affiliates and independent stations began to agree to run issue commercials.
	Fables for Now - Won 3 "Clio" Awards Six "fables" on: Necessity of bigness Need for second supplies Need for balance between Environmental Production Importance of Profits Burden of Government Regulation Role of Profits	3 minutes	Mobil Showcase Presentations. Syndicated to 50 major cities. Also aired Fables on Mobil "Summershow," which was syndicated to 8 major cities.
1981	Mobil Information Center: Expenditures -- Mobil spending much greater than earnings. Regulation -- Deregulation of industry needed to revive economy. Nuclear Plants -- Regulations cause delay, soaring costs. Cohen - Revised -- Prof. Bernard Cohen discusses safe nuclear waste disposal technologies. Price -- Harvard study concludes oil companies underpriced products during '79 shortage.	60 seconds	--

YEAR	SUBJECT	TIME	PROGRAM
1981 (Cont.)	Labor -- Oil and gas development means jobs.		
	Energy Policy -- support for Reagan's Free Market Energy Plan		
	Business -- ORC poll shows people have inflated idea of oil company profits.		
	Offshore Leases -- Reagan sensibly selling more offshore lease rights.		
	Quarles (clean air) -- Former EPA Administrator discusses costs, problems with Clean Air Act.		
	Mills (nuclear) -- Nuclear is economical; other countries way ahead on using it.		
	Mines -- Reagan sensibly easing coal mining regulations.		
	Free Enterprise -- Has brought us economic strength and unparalleled riches.		
	Press Freedom -- Press must be responsible, fair, accurate to guard freedom.		
	Shrimp and Petroleum -- Annual Louisiana Festival celebrates offshore oil/fishing coexistence.		
	Masterpiece Theatre - Fall -- Promotion.		

YEAR	SUBJECT	TIME	PROGRAM
1981 (Cont.)	Masterpiece Theatre - New Year -- Promotion. Free Market -- Oil decontrol resulting in reduced imports, increased production.		
	Support For Reagan Economic Program: Revival Liberty Bell Gateway Spirit	2 minutes	For Mobil Showcase.
1982	Mobil Information Center: Federal Lands -- Supports opening up federal lands for multiple use. Clean Air -- Business/Labor coalition supports Clean Air Act changes. Environment -- Mobil's oil exploration/environmental protection highlighted by THUMS project. Oil Recovery -- expensive special recovery techniques get more oil from existing fields.	60 seconds	INN and WJLA in Wyoming; Metromedia in N.Y., WY and LA.
	Mobil Information Center: Community Service TV Commercials: Daytop Village -- Mobil supports doing rehabilitation center.	60 seconds	

YEAR	SUBJECT	TIME	PROGRAM
1982 (Cont.)	Young Audiences -- Mobil supports program bringing quality performing artists to inner city schools. Film Students -- Mobil supports young filmmakers at NYU, USC, etc. USA/Mobil -- Mobil prepares athletes for '84 Olympics.		

When as powerful and pervasive a medium as television will not sell time for controversial issues, it seems to me our country has reached a rather critical juncture. How can a democracy operate effectively without broad public access to clashing points of view?

It is worth recalling what the U.S. Supreme Court said in 1969, in what is known as the Red Lion case: "It is the right of viewers and listeners, not the right of the broadcasters, which is paramount. It is the purpose of the First Amendment to preserve an uninhibited marketplace of ideas in which truth will ultimately prevail, rather than to countenance the monopolization of that market, whether it be by the Government itself or by a private licensee. It is the right of the public to receive suitable access to social, political, esthetic, moral, and other ideas and experiences which is crucial here."

The real issue seems to be whether the commercial networks should have total control over what is broadcast to the American people. Since network broadcasting is among the most concentrated of U.S. profit-making industries, it would appear that our country may be facing a danger of monopoly censorship.

I hope you realize how reluctant we in Mobil are to adopt any posture that would appear to place us in an adversary position. We would much rather just live and let live. But we have concluded that we have no alternative to standing up for what we believe to be right. It is a dreadful set of circumstances at which we have arrived. What we're battling for is something at least approaching fair treatment in a medium that seems to be the main source of news for the vast majority of the public, yet one that seemingly has decided that in order to be successful, it must concentrate more heavily on showmanship than on presenting news in any depth....

I hope nothing I have said here will be construed as ignorance or insensitivity on my part toward the contributions a free press has made throughout our country's history. Quite the contrary. We could not have remained a free people without it. Freedom of the press is clearly an essential ingredient of a democratic society -- essential not only to the press itself, but to all of us. I submit, however, that it is inseparably linked to freedom of speech, and that both are in turn linked to a free economy.

Unlike some politicians, I am urging not less but more free speech, and for everyone -- including most importantly those whose views some of us may find totally abhorrent. I would hope that those who write and speak the most about freedom of the press will come to comprehend that if they help to destroy our free economy, no matter how unwittingly, it could be only a matter of time before they lost their own freedom. I do not know which of our freedoms might be the first to go, but I do know that once we lose any one of them -- whether free speech, free press, or our free economy -- the others are apt soon to follow.

(3)

Corporations, like people, tend to develop their own individualities over the years. Mobil has long felt that it should contribute to appropriate causes and should endeavor to be a good citizen, in every sense of the word, in the communities in which it operates....

...Our company has felt it right and proper to support more aggressively what are loosely called cultural activities.... It seems to me that as any society grows more mature -- and ours is more than 200 years old -- the populace becomes increasingly interested in cultural activities, both as direct participants and as spectators. Thus what we in Mobil have done in this respect in recent years has constituted a recognition of this growing interest on the part of the public.

While we lend support to art and to artists, as well as to museums and other entities, the cultural activity with which we seem to be most closely identified among the populace is our support of public broadcasting -- most particularly, Masterpiece Theatre. Certainly this has brought us more mail from all across the nation, and more laudatory mail, than anything else in which we are engaged.

In this connection, I might mention that Mobil has from the outset of this effort been committed to building and strengthening public television. As I think the record will show, we have sought not only to underwrite programs of the first order of quality, such as Upstairs, Downstairs, but also to utilize our own corporate resources and skills to build a wider audience for public broadcasting. The promotion we put behind such series supports public television as an institution and, we think, increases contributions to that medium from other sources, including individuals....

In sketching what we do to strengthen both education and cultural activities, I would not want to give the impression that it represents unalloyed altruism. Rather, and I do not want to make too fine a point of this, it reflects our recognition of the fact that as a private business we enjoy no divine right of existence. We exist within a society, and our very right to exist stems from our value and utility to that society. To the extent that we are able to enrich our society and to preserve and enhance the best of its values, we help create a better environment in which to do business.

We believe people today want to know more about a company than just the quality of its goods and services. Mobil interfaces with people in a large number of ways -- as a prospective and actual employer, as a purchaser of many goods and services, as a supplier, as an investment, as a force in American society -- and we are convinced that people want to know something of the beliefs and value patterns of the individuals who run large businesses. We in Mobil have striven to present our own beliefs and value patterns not only in what we do with respect to such spheres as education and cultural activities, but also in what we say in paid advertisements that are sometimes called advocacy advertising....

As anyone knows who has followed our advocacy advertising and our other external communications, we enjoy being an active participant in many arenas, and these two -- education and cultural activities -- are important to us and in many ways are as rewarding as any in which we have involved ourselves.

I might add, with further reference to our advocacy advertising, that we believe our outspoken support of the American system of democratic capitalism is all of a piece with our support of higher education and cultural programs. I am convinced that if our economic system is destroyed or fatally weakened by the relatively small but highly articulate elitists who seem bent on doing just that, whether from ignorance or for whatever reason, then our democratic society and our cultural institutions -- including higher education -- will be imperiled.

# # #

I. INTERPRETIVE CHRONOLOGY

A.) Before the Arab Oil Embargo, 1970-73

Background

As the decade of the 1970s opened, the U.S. was little concerned for its future energy supplies. Throughout the '60s, oil imports equaled about 20% of demand, and the overriding concern was the threat of a flood of cheap oil. Oil imports were restricted by a mandatory program, while prorationing in Texas and other states maintained spare production capacity and a higher U.S. price.

Natural gas prices remained regulated by the Federal Power Commission in the interstate market at levels far below the energy equivalent of domestic or imported oil prices. Yet the national pipeline network continued to grow and expand while gas distribution companies aggressively sought new customers.

The decline in coal's contribution to U.S. energy was accelerating in response to a new national concern with air quality, but nuclear power held the clear promise for the long-term future, and in the interim low-sulfur oil filled the gap for electric utilities.

The memory was still fresh that America could protect itself and aid its allies when oil supplies were disrupted, as during the June 1967 Arab-Israeli war. The real concern was how production from the 1968 discovery of oil on the Alaskan North Slope could be absorbed into the American market.

Then came 1970, a bad year for the U.S. petroleum industry. A slowdown in leasing resulting from public and media reaction to the Santa Barbara oil spill of January 1969 began to have its impact. Tax reform eliminated most percentage depletion tax allowances for oil. The first of many lengthy regulatory and court proceedings blocked construction of the Alaskan Pipeline. Construction of all sorts of energy facilities became bogged down in lengthy "environmental impact" statements and proceedings, which also compounded the now mushrooming licensing difficulties of the nuclear industry. Amendments to the Clean Air Act became law, setting the stage for added gasoline demand -- a result of the temporary and inefficient redesign imposed on automobile producers and a prelude to the longer-term switch to lead-free gasoline.

In 1971, the federal government imposed emergency price freezes and controls on the entire U.S. economy, effectively limiting the U.S. petroleum industry's ability to develop new supplies -- ironically just months after the first signal that OPEC had come of age. In February, the Teheran Agreement imposed posted price increases on Persian Gulf oils of up to 25%, bringing most to over $2 a barrel; in April, the Tripoli Agreement secured almost another dollar per barrel for Libya.

By the winter of 1972-73, a substantial gap emerged between controlled interstate natural gas prices and free-market intrastate gas, reinforcing the shift of supplies away from transcontinental pipelines and creating sporadic shortages in several areas of the U.S.

As 1973 unfolded, most producing nations were climbing aboard the bandwagon started by Libya's initial acquisition of ownership in its oil-producing concessions. By June, facing strongly increasing oil demands (U.S. oil imports increased by a fifth in 1972 and another third in 1973, raising the import percentage to 36% of supply), OPEC was able to impose yet another price increase, despite the fact that the Teheran Agreement was supposed to last five years. Meanwhile, U.S. price controls on domestic oil became more and more complex. In an attempt to yield to pressures for more domestic incentive, the concepts of "old" and "new" oil were created. And the U.S. replaced mandatory ceilings on the volume of imported oil with a fee on imports.

On the eve of the embargo, national energy policy was in total disarray and largely counterproductive. With few exceptions, the public, government, and the media did not have the basic understanding necessary to interpret what was happening and what would be happening.

Mobil response

By 1970, Mobil was well aware that the U.S. was heading for a severe energy crunch, but was unable to get this message across in the newspapers and on television. Lack of understanding of energy issues was made worse by the overall hostile attitude of the media to business in general and oil companies in particular.

The Op-Ed program was Mobil's prime response for dealing with emerging issues in a way that would assure control of the context

of the message. At about the same time as Op-Eds began (sporadically in 1970-71, weekly beginning in 1972), Mobil also made the decision to provide large-scale funding for quality programs on public television, starting with a $1 million contribution (at that time the largest from any company) and providing a new dimension of quality on the airwaves. These two efforts worked together: Op-Ed ads were sometimes used to promote television programs (see III-S), and the television programs created a climate of greater receptivity for the Op-Eds.

In addition, Mobil set about improving its public image by promoting selected philanthropies such as the United Negro College Fund and the Urban Coalition, and by supporting vocational education, jobs for veterans, and similar causes (see III-R). After these and other, primarily low-key themes in the early days, the Op-Ed voice grew stronger, sharper when necessary, but still stylish, in 1972. Op-Eds in the pre-embargo period were primarily concerned with these themes:

Mass transit: Our initial ad (Attachment 1), in the fall of 1970 was designed to draw attention to Mobil through advocacy of a cause which an oil company would not be expected to support. Mobil took the lead among oil companies in calling for a National Master Transportation Program. Such a program not only would provide for the highways the country needs, but it would also make possible adequate public transportation. This was an unusual view for an oil company but, as we pointed out when we announced our position in that first ad, "we don't believe the gasoline consumed by

a car idling in a traffic jam...is the best possible use of America's limited petroleum resources."

The energy situation: Ads (see III-I) dealt with the need for coherent U.S. energy planning, the loss of incentives for discovery of new natural gas due to unrealistic pricing and the dangers of over-use that resulted from these prices, the need to get Alaskan oil to U.S. markets, and the need for additional offshore drilling -- all clear responses to issues already impending, though scarcely perceived. These made 1972 a year of Op-Ed firsts: calling for a national energy policy, warning of a natural gas shortage, and linking economic and energy growth to solve social problems.

Growth: We addressed the need for continued economic growth, for which more energy would be needed, as the only way to provide higher living standards for poor people, both in the U.S. and around the world (see III-J). We believed this emphasis was extremely important in a decade when thought patterns were unduly influenced by the Club of Rome's Limits to Growth-type thinking.

Environment: As part of our effort to get greater U.S. energy growth, we took issue with the extremists of the environmental movement who insisted that cleaning up the environment was an absolute priority, without considering the need for energy/environment tradeoffs (see III-F).

Conservation: Knowing that the U.S. had a serious energy problem, we ran several ads urging greater conservation of energy, particularly gasoline (see III-G).

Capitalism: Our ads drew attention to the value of the free enterprise system in promoting economic growth. In a period of skepticism about business, we explained the role of profits in generating this growth (see III-K, L, M).

One Op-Ed that deserves special mention was "The U.S. Stake in Middle East Peace" which in June 1973 argued the need for a peaceful settlement of outstanding Middle East issues (see III-Q/Attachment 1). This resulted in a huge volume of anti-Mobil mail, demanding that we spell out what we thought was an "equitable" solution of the Middle Eastern situation. Sheik Yamani, however, was so impressed with the ad that he showed it to King Faisal, who asked Yamani to convey his personal thanks to the Mobil Board. The ad demonstrated Mobil's courage and, in this case, foresight, since war and the resulting embargo of Arab oil to the United States occurred soon afterward. Read today in the light of what has happened in the Middle East in the intervening years, the ad seems extraordinarily moderate and even-handed.

In all of these ads, we concentrated on reaching opinion leaders in government, the media, and elsewhere, as the key to changing public opinion as rapidly as possible.

During the pre-embargo period, our Government Relations people in Washington focused on a variety of issues, including natural gas pricing, import controls, environmental restrictions, and taxation. The company continued to argue against further concessions under the Import Controls program, particularly for small refiners which already enjoyed advantages over the majors. But the Administration was sympathetic to the oil industry, and oil industry representatives generally had plenty of opportunity to communicate with officials and members of Congress. Some issues were resolved without rancor.

This comparative calm was felt in Mobil's media relations programs, where a small press relations staff handled routine queries. One major issue at the time was Mobil's operations in South Africa, where we were criticized by church groups, but the company mounted a vigorous defense through exploratory meetings with church leaders and a special report to all stockholders on our operations in that country.

America has the world's best highways And the world's worst mass transit.

We hope this ad moves people...

In recent years the United States has developed a really superb highway system. It's been built with tax revenues earmarked specifically for road building.

But the highway construction boom has been accompanied by a mass transit bust. Train and bus travel in this country, with few exceptions, is decrepit. The air traveler suffers increasing indignities despite bigger, faster planes.

Greater New York is a typical example. You can depend on commuting to and from Manhattan—but only to be undependable and slow. On public transport, the 25 miles to Westfield, N.J. takes 75 minutes at an average speed of 20 miles per hour. The 33 miles to Stamford, Conn. takes 60 minutes at 33 mph. The 26 miles to Hicksville, L.I. takes 55 minutes at 28 mph. When you're on time.

You have to be a stoic with stamina to use public ground transportation for a trip beyond the commuting range. Fly to a nearby city? You can hardly get at our congested air terminals, either by land or air. The ride to or from the airport often takes longer than the flight.

Mass transit seems to work better abroad. Americans are agreeably impressed by the fast, comfortable, and attractive subways in foreign cities. Intercity trains in other countries make ours look pitiful. Japan's high-speed Tokaido line carries more than 200,000 passengers a day. Clean, comfortable French, German, Italian, and British trains regularly attain speeds over 100 mph. European railroads are already planning or building expresses that will do better than 150 mph.

Yet, in the United States, new mass transit systems are for the most part still in the wild blue yonder.

Providing for our future transportation needs will require very large expenditures. We believe there's an urgent need for legislators to reexamine the procedures used to generate and expend transportation revenues. Such a review may yield the conclusion that special earmarked funds are no longer the best approach.

In weighing priorities, no decision-maker can ignore the increasing congestion on those fine highways of ours, especially in and around the great urban centers. But more and better mass transit could stop traffic jams before they start. Just one rail line has triple the people-moving capacity of a three-lane superhighway.

It costs less—in energy consumption and in money—to move people via mass transit than on highways. Thus mass transit means less air pollution.

It also means conservation. Whether the energy comes from gasoline for cars, or fuel oil, natural gas, or coal for electric power plants, it's derived from a diminishing natural resource. So we think *all* forms of transportation should be brought into a national plan for safe, rapid, economical ways of moving people—consistent with the wisest use of our energy resources.

While Mobil sells fuels and lubricants, we don't believe the gasoline consumed by a car idling in a traffic jam (carrying a single passenger, probably) is the best possible use of America's limited petroleum resources. Our products ought to help more people get where they want to go.

To us, that means a green light for mass transit . . . soon.

Mobil

This ad appeared in the New York Times on October 19, 1970

© Mobil Oil Corporation

B.) The Embargo, 1973-74

On October 8, 1973, war broke out between Israel and several of its Arab neighbors, and the U.S. rushed additional military aid to Israel. Arab oil-producing nations retaliated by placing an embargo on shipments to the U.S. and several other nations, and OPEC unilaterally raised posted prices nearly 70% (to over $5 a barrel). The exporters, sensing the companies' ability to rearrange supplies, quickly shifted to curtailing production, so that nearly 10% of the free world's oil supplies were removed from international trade during the winter of 1973-74. By year-end, posted prices were increased again, to more than $9 per barrel. By March 1974, the embargo was lifted and production restored. But the era of ample low-cost energy had ended, and a permanent change in how nations manage energy supply and consumption had been wrought. The effects would continue to be felt for a long time, and throughout the economic systems of the western world. Actions taken in the U.S. in the heat of the moment persisted for years. Permanent damage was done to the credibility of the energy industries because of the lack of understanding of the issues by the media and government staffs.

Specific actions started with the Administration's hastily contrived "Project Independence," an attempt to totally end imports by 1980. It was proposed in November 1973, the month when the Emergency Petroleum Allocation Act was signed into law -- a law that plagued the industry with price and allocation controls at all levels until its expiration (and amendments to it) in

September 1981. Government attempts to reduce consumption by cutting speed limits, eliminating Sunday sales of gasoline, allocating shipments, and pressuring major oil companies into husbanding inventories exacerbated the hysteria and the shortage, even though (in retrospect) petroleum supplies would have been adequate for demand for that length of curtailment.

Mobil response

In this situation, Mobil ads

-- Continued to stress the need for improved U.S. energy production and for additional conservation (see III-G and I).
-- Increased the emphasis on the need for profits, at a time when the industry was accused of making "obscene profits" during the embargo, and spoke out against accusations that Mobil was cheating its customers (see III-M, N).
-- Explained some reasons for the shortages (e.g. that motorists were carrying much more gasoline around in their tanks, thus contributing to the difficulty of getting more).

One useful new ad format was successfully used for the first time. This was "Musings of an oil person," which enabled us to address a number of topics in one ad, in a chatty readable style (Attachment 1).

During the immediate embargo period, however, Mobil Public Affairs was essentially on the defensive, as members of Congress and the press accused the oil companies of rigging the shortage, and Senator Henry Jackson castigated the heads of the seven largest oil companies who appeared before his Permanent Subcommittee on

Investigations and insulted them on national television, while labeling oil industry profits "obscene".

Our response was to accelerate reorganization of the Public Affairs effort. This included appointing a Vice Chairman for Public Affairs, and a policy coordinator whose responsibility it was to see that the company spoke with a single voice on all issues. The company also further geared up for an expanded Media Relations effort, with visits by top executives to newspapers in key cities, coordinated with the American Petroleum Institute media program. Efforts were made to get company executives on television programs across the country, combating the negative image of the oil companies portrayed by that medium.

On the cultural front, the highlight of this period was Mobil's introduction in January 1974 of the Bellamy family to the American public on Upstairs, Downstairs, perhaps the best remembered of all Mobil's television productions. The show was eventually to add seven Emmy awards to those "Masterpiece Theatre" had already reaped (see III-S).

© 1974 Mobil Oil Corporation.

Musings of an oil person...

Wonder if oil company advertising isn't risking indecent overexposure these days. There's so much oil on the tube and in print. Gulf, Shell and Texaco all ran full-pagers on the same day last week in the Times. Mobil's on the Op-Ed page every Thursday. Why do we all do it? Some critics think the ads show the companies are conspiring to brainwash the public. Others think the advertising deluge proves we can't do anything right, not even conspire. But an oil company has to find some way of speaking its mind and letting the public know what's going on, especially now when oil companies are accused of being secretive. Have to take risk of moving Tom Wicker to nausea over the "...pious, self-serving, devious, mealy-mouthed, self-exculpating, holier-than-thou, positively sickening oil company advertisements in which these international behemoths depict themselves as poverty-stricken paragons of virtue embattled against a greedy and ignorant world." Tom turns a nice phrase, but doesn't he know we're frustrated in trying to get information to the public? Try to buy time on TV to say something substantive and the networks clobber you with the fairness doctrine. Same with radio. Several congressmen want the FTC to require a company to substantiate its idea advertising, just as if an idea were like a new toothpaste. Why don't they exhume Madison and make him substantiate the Bill of Rights? Sure, we can stick to print media to tell our story. But newspapers and magazines frequently don't understand the complexities of our industry. Only a few have oil specialists. And how many deadly news releases can we send them before they scream for mercy? Much better to use TV to try to reach the millions whose opinions about oil are swayed by what Cronkite, Chancellor and Reasoner say every evening. Briefly! In 30 seconds they can suggest enough wrongdoing that a year of full-page explanations by us won't set straight. Hate to be on the defensive all the time. Arm our top management people with facts and get them on TV panels and talk shows. They still look drab next to a politician making some wild allegation against us because he's running for something. Does he have to run on our backs? Sure he does--as long as there are gas lines. What do we tell the guy who's boiling mad at us--in our station or some other company's--after waiting two hours for the privilege of paying $1.10 for two gallons of gas? Are we going to tell him he's been wasting energy for years? No way. Tell him to lay off those jackrabbit starts? He'll find that out for himself. That Detroit's naughty for building big cars, that we shouldn't have built all those superhighways, that we're sorry we gave away all that glassware? Forget it. Should we remind him we've been warning for years that the energy crisis was coming? He'll mow down the pumps and who would blame him. No, have to focus on the positive things we can do. Tell him we're recycling the money he pays at the pump right back into oil-finding offshore, Alaska, anywhere. Into more refinery capacity. Into oil shale, synthetic fuels from coal, tar sands, far-out processes in the lab. Dammit, we're a can-do company in a can-do country. Give us a few years and we'll make gas lines just a quaint recollection of the mid-70s. In the meantime, try to reason with Washington against counter-productive laws and regulations. Fight the two-times-two-equals-five logicians who think the same outfit that brings you the U.S. Mail can find oil three miles under the ocean bottom. Give people the facts. Give them genuine information. Speak out. Persuade them to listen. Never bore them. If at first we don't succeed, bust a gut trying again. No other way. Or we all end up working for the government.

Mobil®

This ad appeared in the New York Times on February 28, 1974.

C.) Between Crises, 1974-78

The shortages, as perceived by the public, ended as abruptly as they started when the President appealed to oil companies to release their inventories to the maximum extent possible. Clearly, government had intensified the shortage but the companies got the resentment for the inconvenience suffered by the public and were unjustly maligned by the inaccurate and sensational news reporting -- reporting that included accusations of "contriving" the shortage for profit and accounts of phantom fleets of tankers and barges cruising offshore waiting for prices to rise. This resentment made good political fodder; an estimated 4,000 bills were introduced in Congress to break up, tax and otherwise penalize the oil companies.

Just after the embargo ended, the generalized price controls imposed on all industries were terminated. But petroleum remained under controls due to the legislation enacted during the crisis. And these controls then became even more unmanageable; layer upon layer of schemes began to be created to take care of each new problem as it arose. In November 1974, the "Entitlements Program" went into effect, to share access to cheap domestic crude among refiners. And, of course, the vested interest groups began to nibble away at the program, intent on getting more than a fair share. February 1975 brought the imposition of an additional oil import fee of $1 per barrel for crude and a 60¢ fee per barrel of imported products.

Fanned by politicians, hostility toward the industry continued to mount in the U.S. Percentage depletion allowances were entirely eliminated for all but the smallest producers. The fungibility of the foreign tax credit among the various foreign functions of U.S. companies was severely curtailed, but only for oil companies. On October 4, 1975, the U.S. Senate narrowly defeated a measure to break up the U.S. petroleum companies. And in December of 1975, the Energy Policy and Conservation Act became law, giving the President some flexibility in setting crude prices, cementing the concept of "new" and "old", and most importantly keeping the price of domestic crude below the cost of imports. With this new legislation in effect, the $2 a barrel crude import fee was removed at year's end. An attempt to deregulate new natural gas prices passed the Senate but was defeated in the House by a vote of 205 to 201 in February 1976, despite the fact that U.S. gas production had been declining since 1973 and oil imports were continuing to skyrocket (they reached their maximum level at 48% of U.S. oil supplies in 1977).

At the beginning of the 1976-1977 winter, the FPC announced that gas curtailments would exceed those of the previous winter and reach 25% of total requirements. In its last major action before its demise, the FPC nearly tripled the allowed price for the latest finds of natural gas prices from 52¢ to $1.42/MCF and indicated that in future rulings it would begin using the equivalent oil price as its standard in setting gas price ceilings. A January 1977 survey by the FPC claimed that gas curtailments had caused layoffs of nearly one-half million workers in 7,000 closed factories.

But by February, the Administration declared the gas crisis over. Accusations of withholding natural gas supplies in the Gulf of Mexico began to make headlines.

Despite counterproductive actions in many areas, the glimmerings of sense in national energy policy began to show. In January 1977, the ban on development of oil and gas in the Santa Barbara channel was lifted. In June, the first oil started flowing through the Alaskan Pipeline. And in July, the first oil began to flow into the nation's Strategic Petroleum Reserve.

But these positive developments were far outweighed by the announcement of President Carter's National Energy Plan (NEP). The plan included continued price controls on crude oil; extension of price controls to intrastate gas; a tax on domestic crude oil to equate its price to foreign; an excise tax on automobiles that varied inversely with fuel efficiency; a tax on industrial users of oil and natural gas; and a standby gasoline tax. The emphasis was all on conservation, with nothing for new supplies. Even coal was further hobbled when President Carter signed the Clean Air Act Amendments of 1977, which mandated the use of expensive scrubbers with all coals regardless of quality and need for cleaning.

In August 1977, the Department of Energy was established, inefficiently combining regulatory, administrative, and policy functions in one agency -- and thus completing the transition of energy policy formulation and regulation from a small group of several dozen people operating out of the White House Office of Emergency

Preparedness in 1970 into a gigantic bureaucracy with many thousands of regulators.

Adding insult to the NEP and DOE injuries, President Carter on October 13, 1977, accused oil companies of "seeking to profiteer and grab money from the U.S. consumer."

By the summer of 1978, Congress had approved essentially all the items asked for by President Carter a year and a half earlier, including the Natural Gas Policy Act. While this act was presented as a move towards decontrol, it actually established more than 20 gas price control categories, brought intrastate gas under price controls for the first time and delayed any significant deregulation until 1985 or later.

As the end of 1978 approached, the U.S. government had done little to encourage any form of new domestic energy supply. It had not created a Strategic Petroleum Reserve of any significance, despite two years of ample international supplies that would have permitted acquisition without disturbing the international market. It had emphasized conservation only to find energy and oil demands higher than when the embargo began. By the ultimate measure, oil imports, the nation was nearly three times as badly off as in 1970. The figures tell the story -- oil imports: 1.2 billion barrels in 1970; 2.3 billion in 1973; 3 billion in 1978, despite the fact that Alaskan oil had begun to flow in quantity. The fact that for most of the period from 1975-1978 the real price of imported crude oil

had been stable or declining has been ignored, and the opportunity to take advantage of this breathing spell was lost.

Mobil response

During this period, Mobil's total Public Affairs effort was geared to counter hostile sentiment in Washington and in the media. In addition to continuing our Op-Ed program with continuing emphasis on the need for growth in energy and the economy (see III-I, J), we were called upon to respond to a variety of new attacks.

Of these, the greatest threat was the series of moves in Congress to break up the 18 largest oil companies into separate exploration and producing, marketing and refining, and transportation units. In an emotional anti-oil company atmosphere, Mobil took a prominent part, both on its own initiative and in cooperation with the API, in beating back this threat.

In the crucial hearings before the Senate Judiciary Committee's Subcommittee on Antitrust and Monopoly, Mobil played a key role in lining up witnesses to show in Congress and the media that divestiture could not reduce oil prices, but on the contrary would cause serious economic, political, and strategic problems for the United States. One of these witnesses was Mr. Tavoulareas, for whom Public Affairs prepared testimony and briefing material. His testimony was reprinted by Public Affairs and widely distributed in a booklet entitled "Why Divestiture Won't Work" (see Attachment 1). Public Affairs also produced a briefing paper, rebutting charges against the oil companies in detail, which was used by Senators opposed to divestiture.

We also helped produce testimony for Mr. Massad before the House Judiciary Committee on the joint venture aspect of divestiture, with the result that committee staff members asked for a meeting with Mobil, where we explained how prohibition of joint ventures would seriously impact on our operations, particularly in the Middle East. The same staff members also asked to meet with Mobil on the whole divestiture issue. Those discussions helped contribute to a report by the House committee on horizontal divestiture favorable to the oil industry.

Mobil also backed up its efforts in Washington with a strong public relations effort to convince the public that vertical divestiture made no sense. The effort included Op-Ed ads (see II-C/Attachments 1a to 1i), "Observations" columns, tours in which top executives visited 21 cities in 18 states, special TV appearances by Mr. Schmertz, 160 talks given by the Speakers' Program by volunteer employees, and the placement of by-lined articles in newspapers and magazines. Gradually it became clear that divestiture was indeed a non-solution to the problem of increasing energy prices, and the issue was left to simmer on a back burner where it still sits.

Mobil Public Affairs also played a prominent role, both independently and in close collaboration with API, in defeating the equally ill-advised proposals to prevent oil companies from diversifying into other enery source development, or to make them give up their existing holdings. Mr. Schmidt and later Mr. Schmertz, chaired the Committee on Industrial Organization of the API, which coordinated

the oil industry's effort to turn back Congressional pressure for horizontal divestiture. This issue, too, died in Congress as it became clear that prohibiting oil companies from investing in other energy sources would deprive the coal and other industries of needed financial and technical resources.

Mobil also engaged in dialogue with others who proposed a variety of inadequate solutions to the nation's energy problems. Prominent among these was our criticism of the Ford Foundation's energy study, A Time to Choose, that urged conservation as the primary thrust of energy policy, and attacked the oil industry for allegedly gaining all kinds of subsidies at the consumers' and taxpayers' expense. That study's strongly pro-conservation stance led to a change in our own Op-Ed statements, to argue now that "conservation isn't enough" (see III-G).

Similarly, we criticized a proposal that OPEC nations should be encouraged to break their "cartel" by being asked to submit sealed bids for imports into the U.S. energy market -- a proposal which was obviously impractical in a period when the U.S. was greatly dependent on OPEC for a large proportion of its imports.

The emergence of soft energy technology as a major issue in this period led to Mobil efforts to put the energy issue in perspective, by explaining that solar and some other technologies would not make a major addition to U.S. energy supplies, at least not in the near term.

During this period, we also tried to reach out to organized labor with a series of ads stressing the point that business and labor shared a vested interest in continued economic growth, and that labor should therefore favor greater U.S. energy development. These ads, however, ran into difficulties when labor publication editors balked at subjecting union members to advocacy advertising by a leading company.

Also, Congress's anti-business mood led to enactment of measures to combat the Arab boycott of goods produced by companies viewed as favorable to Israel. A good deal of misinformation led to the writing of bills in Congress that would indeed have prohibited imports of Arab oil into the U.S. at all. By drawing attention to this issue (see III-Q), and by making our views known in Washington, we were instrumental in getting a less onerous, although still unsatisfactory, bill that was passed into law.

In our print communications, this period was characterized by the introduction of innovative techniques to get our messages across. The year 1975 was proclaimed by Mobil as the "Year of Energy Action," (YEA), with Op-Ed ads, magazine ads, accompanying booklets, and special publications all spelling out the theme (Attachment 2). During this time, we ran several series of Op-Eds, urging the formation of a coherent national energy policy (Attachments 3 and 4). In an attempt to freshen our basic energy messages, we fashioned some novel campaigns -- fables in 1976 (Attachments 5a-d) and "Energy Mysteries" in 1977 (Attachment 6). (In 1980, TV commercials based

on these fables and a later series attracted a great deal of attention, much controversy, and two "Clio" awards.)

This period also saw an intensified battle between Mobil and television on the whole question of a company's right of access to the airwaves. Television's biased reporting of events during the Arab embargo, including failure to permit oil-company executives to explain what was really happening, led to a Mobil campaign to get paid ads on television. But, despite even an offer by Mobil's president to pay for rebuttal ads if Mobil could get across its own message, the networks insisted that their own journalists should determine what views would be presented (see II-B/Attachment 6).

Mobil did successfully counteract some biased TV reporting by taking out full-page ads in the print media to dissect TV correspondents' inaccurate reporting. Perhaps as a result of this tactic, irresponsible TV reporting of energy news on TV has considerably diminished.

In this regard, the Op-Ed program was reinforced by the start of the "Observations" column (Attachment 7), appearing in newspaper Sunday supplements. In a relaxed way, these columns got across Mobil's major themes, not only the need for energy but the need for less regulation (gaining much of the initial publicity in the U.S. for Murray Weidenbaum). The program was gradually expanded to reach close to half the households in America.

In all, considerable progress was made. The New York Times, in particular, began to recognize that Mobil had a position worth

evaluating on some energy issues, and some ads caused newspapers to clarify their views, making them more in alignment with Mobil's. On occasion, there were actual dialogues between newspaper editorials and our Op-Eds (see III-B).

Mobil's efforts to get across the company's messages in Washington and to opinion leaders through the print media were supported by a major program of media "blitzes" in which top executives criss-crossed the country, appearing on television and meeting with the press, with heavy backup support from Public Relations. For example, three blitzes were conducted between 1975 and 1977, on Mobil's proposals for a National Energy Plan, on the divestiture issue, and on the topic "Is America Running Out of Oil and Gas?" This last involved 23 senior Mobil managers, who visited 29 cities in 21 states, calling on 30 newspapers and appearing on 69 television shows and on 68 radio programs. The first two blitzes included visits to 90 newspapers and 450 radio and TV news shows.

Also in this period, Mobil began to produce on a regular basis Public Service Announcements in which third-party commentators spoke on issues important to Mobil such as profits, gasoline prices, offshore drilling, federal lands, and environmental protection (see II-B). About 175 stations regularly carried the messages (without charge to Mobil), reaching about 20 million people. The company also produced two-minute news clips in which Mobil people discussed important issues, and these were picked up by many stations across the country.

Press relations were also greatly expanded during this period. Mobil put special emphasis on getting adequate responses to any inquiry as fast as possible, with top executives being aware that our credibility depended on giving quick, full, and honest answers.

Mobil also set up a Speakers Program, in which company executives around the nation were encouraged to speak out. They were supported by pattern speeches written on important topics by the Public Relations department, and by a bi-weekly newsletter with information on energy issues and backup materials. Some 250 executives received these materials, and used them to good advantage in addressing Kiwanis, Rotary, and other civic organizations. New speakers received professional speech training.

Mobil initiated a new program to make its own employees more aware of the issues, and to supply them with information needed to enable them to respond to criticisms of oil companies. This program included:

-- Executive Forums, in which top company executives were invited to respond to questions from employees. In crisis periods, the company conducted as many as 10 of these a year. Highlights of executives' responses were videotaped and made available at company headquarters, in the field, and in some cases overseas. Also, special programs of interest, on such topics as Mobil's operations in the Middle East, profits, and the gasoline shortage, were videotaped and shown to wide audiences.

-- A wall poster program, in which information on company activities and events of interest was regularly maintained. Topics have included divestiture, profits, the need to get rid of excessive government regulation, and the role of alternate energy sources.

-- The company's regular employee publication, Mobil World, has since 1976 included a feature known as "Playback," in which a selection of anonymous employee inquiries and management responses are printed. These are only a few of the 1,000 or so questions a year handled in the full-scale "Playback" program of Employee Relations.

-- Distribution of news releases and other materials in the headquarters lobby, and a program of mass mailings to the field to alert employees to imminent problems, so that they can express their views to their Congressman and Senators if they wish. A publication, Making Your Voice Heard in Washington, was developed to aid them in their letter writing.

Investor relations were also greatly upgraded during this period, with Mobil taking the initiative to establish far greater personal contacts with key analysts and portfolio managers. Whereas during 1960-75 the company scheduled only occasional meetings with the financial community, from 1976 onward company representatives met with various analysts and portfolio managers on a frequent and increasing basis. Activities have included a regular luncheon program, in which senior executives meet with key analysts in New York, and regular visits to selected analysts and portfolio managers around the United States and in Europe. As a result, Mobil

is perceived as a company which keeps up its contacts with the investor community in both good times and bad, as contrasted with some companies which are thought of as communicating only when the company is doing well. A variety of articles in the business press, such as Finance Magazine (Attachment 8), also attest to Mobil's improved relations with the financial community.

This heightened effort to get across Mobil's viewpoints on major issues was supported by a great expansion of the company's cultural programs, both at home and abroad. Besides continuing to support Masterpiece Theatre and putting together an informal network to show quality drama on commercial television (see III-S), Mobil also increased its sponsorship of art exhibits, catalogues, and community projects, in which Public Affairs wrote or produced backup art and culture ads and promotion. The company supported museums through its popular Summergarden program at the Museum of Modern Art and other efforts, essentially using Mobil funds to keep museums open additional hours. A noteworthy development, in this period of oil-company unpopularity around the country, was that in 1975 cultural events were sponsored and promoted in many scattered locations where Mobil was represented: Torrance, California, Anchorage, Alaska; Philadelphia...not just New York and Washington (Attachment 9a-e).

These cultural activities were extended overseas with booklets and filmstrips designed to buttress Mobil's operations abroad. Thus in a period when Mobil was concerned with increasing its access to incremental supplies of Saudi Arabian crude oil, Mobil produced a

major book, The Genius of Arab Civilization, which attracted much favorable attention in the Arab world, and supported the founding of a Committee to Honor the Fourteenth Centennial of Islam and the development of a Middle East "outreach" program that now includes approximately 50 colleges and universities in the U.S. Our quality intellectual/cultural magazine designed for overseas audiences, Pegasus, continued to be in demand by affiliates. Additional books were produced on Nigerian art, the "living treasures" of Japan, and "famous living Austrians".

Within the United States, Public Affairs cooperated with Mobil Foundation in determining what programs in the field should receive company financial support. Under this effort, some 60 managers in the field are encouraged to forward nominations for the support of cultural activities. Besides being good citizenship, this program helped improve Mobil's image in periods when we were under serious attack.

Outside its regular Public Affairs activities, Mobil also strengthened relations with influential "think tanks," which began to issue an increasing volume of materials questioning the "left-of-center" wisdom of the time. These institutions included the American Enterprise Institute, the Hoover Institution, and the Heritage Foundation. By so doing, Mobil indirectly participated in changing the national climate of opinion, which manifested itself in the 1980 election. These activities also paid off by giving Government Relations staff early access to several key

executives in the present Administration, since they were drawn from these organizations.

D.) The Iranian Crunch, 1978-80

One month after Congress approved a law extending price ceilings to intrastate natural gas, a strike by Iran's oil workers began to affect that country's exports of crude. But this was largely obscured in the public's perception of energy by reports of unrelated spot shortages of some grades of gasoline (due to the workings of the allocation mechanism) and claims by the Department of Energy that oil refiners had been overcharging for home heating oil since price controls loosened two years earlier. The stage was set for Ayatollah Khomeini. In December of 1978, OPEC announced a plan to increase by April 1979 the price of marker crude by about $2 to $14.50/barrel, sensing strong worldwide demand and trouble in Iran.

By January, Iranian oil exports had fallen to zero, depriving the western world of 5 million barrels/day. By late February, the Iranian cutoff began to affect U.S. refiners. Gasoline lines began to spring up again in some areas of the country, while other areas had a surplus of gasoline shipped there under the mandates of the allocation program -- a situation that was to prevail through June.

From New Year's Day 1979 to New Year's Day 1980, the price of world crude oil doubled. This time price increases had a tremendous impact on demand and as demand fell other nations (especially Saudi Arabia) increased production. The U.S. shortage's hysteria of the spring of 1979 quickly faded; indeed, it is difficult to determine just how much of a shortage occurred in the U.S. during that period -- especially since the inconvenience felt by the public

was probably largely caused by the government allocation mechanisms. But this was a fact that could be easily misinterpreted, and media reports about profit gouging, contrived shortages and phantom tanker fleets again abounded.

The renewed hostility against the oil industry took its toll. Faced with the prospect of a September 1981 termination of crude price control authority, President Carter proposed phasing out controls in order to bring domestic prices into line with world prices. But he and Congress would not let either the revenue or the incentive go towards the production of new domestic supplies; the result: the passage of the Windfall Profits Tax Act of 1980 which taxes away most of the allowed increase in domestic price. Fortunately, intervention by Mobil in particular (see page I-D/3) helped persuade Congress to allow some additional incentive for oil that had not yet been discovered, although not the full incentive of the marketplace. And the response by the industry, even to the small increase in incentives, was predictable and dramatic: Drilling for oil and gas in each instance surged forward, setting new records.

Throughout the period since the 1973 embargo, some producing countries often found themselves with revenues surplus to their immediate development requirements. These surpluses surged into the world's banking centers, creating the basis for money supply growth and inflation. Since 1973, economic growth has been dramatically curtailed and recessions occur with increased frequency and severity. The adjustments to expensive energy are difficult

and costly and the countries of the less-developed part of the world have been the least able to cope. The price escalation surrounding the Iranian supply curtailments seem to have created new recessionary and conservation effects at the very time the longer term conservation effects of the 1973-74 price increases were beginning to become apparent. The result has been a sharp curtailment in the free world's demand for crude oil, a curtailment which focused entirely upon OPEC.

Mobil Response

Although the Iranian crisis led eventually to government measures to decontrol oil prices, it was also a period of new and in some ways unprecedented attacks on oil companies.

-- Mobil's major effort in this period was directed at obtaining changes in the proposed Windfall Profits Tax legislation, which in its original form consisted almost entirely of punitive tax on oil companies without any incentives for increased exploration and production. In this effort, Mobil parted company with the rest of the oil industry by urging that oil still to be discovered should not be subject to such a tax and should be free of price controls and that, if the U.S. government agreed to this, we would be willing to forego decontrol of existing reserves beyond increases for inflation.

-- Public Affairs backed up this Mobil policy by explaining the company position to many who thought we simply favored controls, and by a campaign urging employees and annuitants to write to their Congressman and the House and Senate leadership.

The Mobil initiative, which attracted many inquiries and comments on Capitol Hill, was reflected in the modified final bill in which new oil was given more favorable treatment than old.

-- Realizing that the United States would have to rely on coal and nuclear fuels to provide energy in the near and intermediate term, Mobil stepped up its advocacy of these energy sources, particularly nuclear (see III-I). We especially noted the need for reduced restrictions on nuclear development.

-- We took issue with newspaper reports of government accusations of oil company overcharging under price controls, since the accusations got prominent headlines and the oil companies' denials were given less prominence. Frequently, too, when the accusations were dismissed in the courts, that news was either not printed at all, or given short shrift on an inside page. We predicted the outcome of some of these cases and reminded readers that we had done so (see III-B).

-- This period also saw the emergence of state issues, as hard-pressed state governments latched on to the idea of taxing oil companies to generate revenues in a politically acceptable way. We spoke out when we considered these measures to be unfairly biased or illegal (see III-D).

-- Also, we had the unprecedented problem that a U.S. President more than once singled out Mobil by name for attack. While this might be considered a reverse tribute to our Op-Ed program, we had to correct the President's misstatements (see III-C).

While developing these themes, we continued to urge a return to a free enterprise economy, and to discuss what energy prospects would be if a free market were to be restored.

The company maneuvered around the TV network boycott of advocacy ads in 1980 when we arranged to have our issue-oriented "Fable" commercials aired on 54 independent stations and network affiliates in the top 50 markets comprising what we called the "Mobil Showcase Network". The messages reached about 22 million people and were the subject of a Time magazine story because of the uniqueness of the approach.

Also in this period, Mobil took out full-page ads criticizing CBS's coverage of our third quarter 1979 profits (Attachment 1). To help improve coverage of our fourth quarter and year-end earnings, we distributed to the media a detailed background paper called "Earnings in Perspective," and invited television people to interview company executives. The company also issued a nine-page press release describing our earnings. These efforts paid off with generally improved press coverage, and ABC-TV network news and Channels 5 and 11 in New York ran objective stories.

In this way, Mobil was able to draw on the credibility established in the years since the 1973-74 embargo to gain much more understanding from the media in the new Iranian crisis. Other programs in place, like the employee communications program and the Speakers Bureau, were also valuable in getting across Mobil's messages and combatting new unfounded attacks on the oil companies.

E.) The Emerging Glut, 1980-today

Since 1981, a major change in the world oil position has again taken place. Price-induced conservation (after the shock of the near tripling of prices since the Iranian revolution) and recession have cut demand all over the Free World. Production had increased rapidly outside OPEC, especially in the North Sea and Mexico; even in the U.S. the downtrend in crude output has been halted, at least temporarily. Inventory change also alters the balance of supply and demand: after the crisis cooled in mid-1979, the expectation of continued price increase and short supply provided a powerful incentive to build and hold inventories which delayed through much of 1981 the appearance of glut. Now with prices weak and interest rates high, the incentive has reversed, possibly prolonging the glut. There are only limited data on Free World inventories, largely those held by major oil companies and governments; there are almost none for inventories held by end-users of petroleum products. Yet, the fact is clear: OPEC production has been cut back by more than a third in the past 2½ years.

These then are the uncertainties that must be faced by policy makers and planners. How much does price reduce the usage of oil? How much is it due to deepening recession? Can OPEC become a real cartel enforcing production curtailment? How much incentive should be given to non-OPEC energy production? How much, at what price, and who will pay for strategic inventories? Should we develop plans to manage another crisis, and how can we do so? How much

attention should be paid to the long term when resources, such as oil, will become scarce through depletion instead of politics?

One answer was given by the Reagan Administration at the start of its term: It is better to err on the side of oversupply. In January 1981, crude oil and products were decontrolled. For a brief instant prices rose and allegations of profiteering, manipulation, and gouging again arose. Soon, with excess refinery capacity and world crude oil in oversupply, competition began forcing prices down -- vindication for the free market. This, however, is a lesson that even the Reagan Administration is not yet ready to put fully into practice, and one that those who oppose expansion of domestic energy by private enterprise still largely ignore. For example, approaches to speeding decontrol of natural gas have been delayed or aborted by partisan election politics.

Many other issues of national energy policy and security remain unresolved -- hampered not only by fundamental political problems but also by a still too low level of understanding of energy supply/demand dynamics by the public at large, the media, and policy makers. Dismantle the DOE? Yes, but the how of it stymies efforts to make both policy formulation and regulation more effective. With falling world crude-prices, proposals abound to impose an import fee, motivated more by the need to raise tax revenues than by consideration of domestic supply, equity, or effectiveness.

Similarly, the program to fill the Strategic Petroleum Reserve is threatened by questions of cost and need for it, with little

recollection of the opportunity lost just prior to the Iranian cut-off. On the other side, how and when to release oil from it in an emergency, is questioned by those who would use it as an instrument of control of the private sector and those who seek to carve out special privileges for themselves. This is an issue that has had greater prominence as "Emergency Preparedness" legislation: After a year's debate Congress passed the legislation recently vetoed by the President who claimed he has enough authority already. But is the U.S. really better able to handle the next emergency since gasoline rationing is not on the books any longer?

A host of other key issues, some valid and some contrived to take political advantage of anti-industry sentiment, are on the current agenda. Of the former, regulatory reform and constructive changes in the Clean Air Act, which is up for renewal, are important to domestic energy supply development. Of the latter, attempts to legislate divorcement of oil company marketing functions and "open supply" for branded service stations, are indicative of unconstructive, but politically productive, schemes.

On a more general level, the question of relations with the key foreign suppliers -- including Mexico, Canada, and Saudi Arabia -- is not handled consistently or with adequate regard for supply security; the excessively emotional debate over the AWACs sale is one example. Canada complains about the U.S. burning too much coal while it acts against expansion of its oil production.

Imports of natural gas from Mexico become hostage to arguments over emigration and nationalism.

On an even more general level, the whole issue of the measurement, adequacy (or as some still say: excessiveness), and role of profits in the development of new energy supplies remains a subjective, rather than objective, dilemma for national policy. Activists who believe company profits are excessive still protest in front of oil company headquarters and get good coverage on the evening TV news.

On the most general level, that of the national economy, oil producers and consumers have become attractive targets for new taxes in a time of recession and unacceptable federal deficits. Such ideas need careful examination not only for potential revenue, but also for the impact on demand and supply incentive. Also, the foreign tax credit is again under assault -- this time in the guise of a "minimum corporate tax" -- despite its effects on the position of U.S. companies in an extremely competitive foreign market and the role these foreign operations play in U.S. supply security.

Looking back to pre-embargo 1973, many of the issues of emerging national policy and the state of public attitudes look much the same. Most distressingly, oil imports as a share of domestic supply are also about the same: 36%. How will resurgent energy demand be met when the U.S. economy emerges from recession, as well as in the 1990s? With what security, cost effectiveness, environmental impact, and by what kind of institutions?

Mobil Response

In a radically different political climate, Mobil has begun to realign its public affairs efforts so as to address many new problems, as the world enters a new energy era.

One new major emphasis has been our efforts to strengthen the hand of the Administration as it has made determined strides towards a free market in energy and in the economy generally (see III-E). So we welcomed this new regime, and highlighted the beneficial effects of crude oil decontrol on U.S. oil production. During the ongoing controversy over the proposed budget deficit, we urged constructive steps to minimize the deficit by delaying tax reductions and some defense expenditures, and imposing a tax on decontrolled natural gas, but not on gas yet to be found.

In this period, in which Mobil has made two major attempts to improve its crude oil self-sufficiency through purchase of other oil companies, we have forcefully presented our views in Washington while exhausting legal and financial remedies. Advocacy advertising was sparingly used in this effort, since success essentially hinged on legal interpretations rather than public opinion. We did, however, use in ads and a letter to shareholders a W. P. Tavoulareas article in The New York Times (Attachment 1), in which we noted after the Conoco/Marathon failures that the interests of company shareholders have been shortchanged in the maneuvering by company executives to avoid takeover of their companies and enrich themselves.

We have continued to speak out in favor of constructive moves towards peace in the Middle East.

We have forcefully presented our views on some issues that are unresolved. For example, we have urged changes in the Clean Air Act Amendments, which we believe would be cost-effective without endangering environmental progress already made. We made another effort to explain the basics of the foreign tax credit, which is still imperfectly understood by the news media.

Our Government Relations efforts moved into several new fields. The company expended considerable effort (including an Op-Ed ad) to support the Administration's efforts to achieve passage of the controversial AWACs legislation so that these planes could be sold to Saudi Arabia, and this effort was acknowledged by senior Administration officials to the general manager of Government Relations. GR arranged meetings for top Mobil executives with members of the Canadian embassy and the ambassador to discuss aspects of Canada's National Energy Plan which seriously impact on Mobil. GR has also taken part in efforts to adjust the status of aliens of exceptional ability, when the company would benefit from their presence in the U.S.

In Investor Relations, special emphasis has been given in early 1982 both to appraising the financial community of the severity of market conditions prevailing during this period of crude supply imbalance (so that investors will not be unduly surprised by financial results when issued), and to re-emphasizing Mobil's underlying

strengths, both upstream and downstream (so that investors do not underestimate our longer-term strengths).

This year, Investor Relations has set up meetings for Messrs. Warner and Tavoulareas with investment officer groups of several large institutions in New York, and for Messrs. Massad and Murray with oil analysts in Boston and New York. The Investor Relations group has also met with institutional investors in 12 major cities. Special brochures on our upstream and downstream strengths are being prepared for distribution to analysts and investors throughout the U.S. and Europe. (See II-E)

In its cultural activities, Mobil undertook a significant venture in 1981 by supporting amateur athletics (see III-T). In a period of rising costs, and when American athletes were deprived of the opportunity to appear in the Olympic Games in Moscow, Mobil is underwriting the USA/Mobil Indoor Track and Field Championships, held at Madison Square Garden in New York. Mobil's sponsorship of these events has generated a great deal of favorable press coverage.

Continuing its support of Masterpiece Theatre, Mobil sponsored such dramas as A Town Like Alice and a major documentary on evolution, Life on Earth.

We hope to increase our corporate giving in areas where the poor directly benefit, responding to the President's appeal to business to help in areas where Federal aid has been reduced or eliminated.

This will be a very selective process in which we will seek out the effective, visible and imaginative.

As other new issues are formulated, in a period of chronic economic and political difficulty around the world, we will continue to address our various publics in a provocative and, we hope, useful way. We will increase our activity at the state and regional levels, to which some of the energy action is now shifting, to insure that Mobil is fairly treated. We will continue to present Mobil to the investment community as a company of improving potential, aggressively seeking to improve its crude oil position and diversify into alternate energy development as this is economically justifiable. We will continue to keep shareholders and employees especially well informed on public affairs matters, recognizing the value of their support.

# # #

Impact on Opinion Leaders

Since Mobil began its various expanded Public Affairs programs in 1970, the views of the majority of the American people on certain basic issues -- like the role which government should play in our society, or the best way of assuring the nation of an adequate energy supply -- have changed drastically. This change has come about largely because "opinion leaders" -- those people and institutions that influence the thoughts and actions of others -- have changed their perceptions of national needs.

In helping change these perceptions, Mobil can claim to have played a significant role. Our Op-Ed program and our support for "Masterpiece Theatre," in particular, have enabled the company to become part of the "collective unconscious" of the nation, as the changed views of opinion leaders have gradually molded general public opinion.

Who are the nation's opinion leaders? They include members of government, at the national, state, and local levels. The nation's powerful news media -- print, radio, and most of all television -- are among the most influential opinion leaders. So are members of the academic community and the "think tanks" that generate new ideas which may eventually become part of a national consensus. And so are concerned businessmen who speak up on issues they know about -- as well as representatives of church groups, consumer groups, environmental groups, and others who have opposed business interests.

The impact which Mobil's Public Affairs programs have had on two main groups of opinion leaders -- government and the media -- are documented in greater detail in subsequent sections. But some indication of that impact is afforded by some highlights excerpted here:

- Intensive efforts by Mobil through the Government Relations Department, in conjunction with other companies and the American Petroleum Institute, succeeded in beating back attempts to break up major oil companies in the wake of the Arab embargo, and also to turn back later attempts to prevent the companies from diversifying into alternate energy development.

- Senator Russell Long, then the powerful chairman of the Senate Finance Committee, thought so highly of a full-page Mobil ad criticizing President Carter's energy plan that he distributed copies to every member of the Senate.

- Surveys have shown that newspapers, magazines, and television editors give Mobil higher credibility ratings than they do other oil companies, and that they regard Mobil more favorably than these companies. The surveys show that Mobil materials receive more direct attention from editorial writers, and that they are read, circulated, and used as reference sources.

- Columnists and others with viewpoints from right to left have enthusiastically (or in some cases reluctantly)

expressed support for Mobil views (or at least admiration for the company's outspokenness). (See Attachment 1 a-e for details.)

° Cartoonists, whose stock-in-trade is presenting humorously social and cultural developments of which the public is sometimes only dimly aware, attest to the extent of Mobil's impact by poking fun at our cultural programs and stances on the issues (See Attachment 2 a-c).

But media and government representatives are not the only opinion leaders with which Mobil is concerned. Other companies and leading banks have recognized the value of our materials and the validity of our messages by asking for reprints. Even in small towns, there are opinion leaders -- the local banker, farm-equipment dealer, broadcaster, and more -- and these local leaders were specifically targeted with a 1978 series of ads in publications of service clubs such as Kiwanis and Rotary, as well as in the widely distributed "Observations" column. Over the whole second half of the decade, the interest of such powerful local opinion leaders was directly engaged by Mobil's Speaker Program, in which company executives addressed these service organizations and other local groups. The extent of this effort -- numbers of talks given and the extent of Public Relations backup in the form of pattern speeches -- is summarized in the table on page II-A/4.

SPEAKER PROGRAM

COMPARATIVE FIGURES - 1976-1981

	1976	1977	1978	1979	1980	1981
Total Speeches Given	1,005	1,148	1,155	1,844	1,817	1,488
Radio/TV Interviews	32	25	22	106	69	-
Newspaper Clippings	185	290	320	318	312	354
Total Audience Size	-	60,174	63,250	68,671	-	64,967
Average Audience Size	-	52	55	66	-	44

SPEAKERS PROGRAM PATTERN TALKS

Divestiture Speech - August 1976

"Needed: A National Energy Policy" - December 1976

"Why Look Offshore?" - January 1977 (updated July 1978)

"Energy Problems and the National Energy Policy" - June 1977

"Of Regulations, Revolutionaries, Radicals, and Reactionaries" - May 1978

"Making Sense Out of the Gasoline Problem" - June 1979 (updated August 1979)

"Energy for the '80s" - 1980

"Oil Industry Earnings, Profits vs. Profitability" - August 1980

"Energy & Environment - Tradeoffs for the '80s" - October 1980

"Energy at the Crossroads" - January 1981 (updated April 1981)

"A Clean Air Policy for the '80s" - September 1981

Besides speaking out on the issues, Mobil executives in Public Affairs have been called on to serve, in effect, as management consultants to other companies and organizations on how to run an effective advocacy or cultural campaign. In the past year, we have received invitations from such diverse groups as the National Center for Business and Economic Communication, The Public Utilities Communicators Association and the California Savings and Loan League Management Conference. We have been forced to turn down many requests because of lack of our executives' time.

Members of the academic community continue to request reprints of publications and speeches about our Public Affairs programs, as well as copies of our ads themselves. In 1981, for example, authors, publishers, and colleges (including Princeton University, Baruch College, the University of Iowa, and the University of Missouri) asked permission to use Mobil ads as models in forthcoming textbooks; in addition, an untabulated number of requests were received from graduate students preparing theses and dissertations. Also in the academic community, requests for materials for use in classes, and increased willingness to request and hear company speakers, indicate that Mobil is reaching this powerful set of opinion leaders -- and future leaders -- in a way unimaginable a decade ago.

By its impact on such influential segments of the public, Mobil Public Affairs has been a factor in bringing about a much more

rational discussion of the issues that affect us, particularly that of energy.

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